

EUROPEAN NEWS DIGEST

Nato, Russia in talks accord

Nato yesterday agreed to Russia's request for urgent talks on the relationship between Moscow and the alliance, despite bitter arguments at last week's meeting of foreign ministers in Istanbul. Ambassadors from the 18 Nato members yesterday "agreed to invite Russia to begin discussions in Brussels immediately", according to an alliance spokesman.

Until recently, the alliance had been insisting that Russia must join its Partnership For Peace military co-operation programme under the same procedure as the existing 20 members, by signing up first and discussing practical details later. However yesterday's decision confirmed that Russia is having some success in convincing the alliance that a wide-ranging agreement in principle on the shape of Russia-Nato relations must be sealed before Moscow signs up to PFP.

At last week's meeting in Istanbul between foreign ministers of Nato and the former Warsaw Pact, western diplomats described as a "disgrace" the firmness with which Russia insisted on several key points in the final communiqué. These included the exclusion of any reference to the possibility that countries such as Poland and Hungary might become full members of Nato. *Bruce Clark, Defence Correspondent*

French extend jobless measures

The French government is planning to extend measures aimed at curbing the growth in long-term unemployment, Mr Michel Giraud, the employment minister, said. In an interview in *Les Echos*, the financial daily, Mr Giraud said that the government would extend from 18 to 24 months the exemption on employer contributions to social security charges for new workers recruited from the ranks of the long-term unemployed.

According to Mr Giraud, the measure will apply to the hiring of workers who have been registered as unemployed for more than three years, who are disabled or who have been claiming welfare benefits below standard unemployment benefits for more than one year. While the overall unemployment rate has shown signs of stabilising at about 12.2 per cent of the workforce, long-term unemployment has continued to rise.

John Riddings, Paris

■ BSN, the French-based multi-national food company, has signed a joint declaration with an international trade union guaranteeing the rights of its workers to trade union representation. BSN, which employs more than 55,000 workers in Europe, the Americas and Asia, has signed the declaration with the Geneva-based International Union of Food. Most international companies say they comply with local labour arrangements. *Lise Wood, Labour Staff*

Poles win \$900m IMF standby

Poland has agreed a new draft \$900m standby agreement with an International Monetary Fund team for 18 months until the end of next year. The funds will go to boosting Poland's hard currency reserves as well as helping to finance a 45 per cent debt reduction deal agreed earlier this year with western commercial banks. The policy draft, which is likely to be approved early in August by the IMF and still has to be formally adopted by the Polish government, assumes that inflation next year will fall to 16 per cent from this year's projected 22 per cent figure.

Next year's deficit budget meanwhile will fall to 3.7 per cent of gdp from this year's 4.1 per cent. Mr Michael Deppler, the head of the IMF group said yesterday that the medium-term programme drafted by Mr Grzegorz Kolodko, the new finance minister, and adopted recently by the Polish government, contained "good policies for Poland" and that he was confident that unemployment would fall by the end of 1997. *Christopher Bobinski, Warsaw*

Finnish confidence vote won

Finland's plans to enter the European Union on January 1 were spared disruption yesterday when the centre-right coalition government survived a parliamentary vote of no confidence despite the abstention of some of its own members. But Mr Esko Aho, the prime minister, faces a further challenge on the EU issue on Saturday when his Centre party votes at a special conference on whether to back Finnish membership in a referendum on October 18. The party, which is founded on the agricultural community, is deeply split on EU policy. Mr Aho is expected to prevail but a decision not to back membership would throw the government into turmoil and delay the formal ratification of Finland's accession agreement with the Union. *Hugh Corney, Stockholm*

Optimism on Norway economy

The Bank of Norway yesterday issued an upbeat forecast for the economy but warned the government that its loose fiscal policy and rising wage claims could cause overheating. The central bank forecast a 4.5 per cent increase in private consumption this year, against a December forecast of 2.75 per cent. It criticised the government for not tightening fiscal policy in the revised national budget unveiled in May, and warned against an inflationary budget for 1995. The Bank of Norway sees gdp growth of 4 per cent this year, with the non-oil economy expanding by 2.75 per cent this year and 3 per cent in 1995. Consumer price inflation, at 0.9 per cent, is at its lowest for more than 30 years. The central bank expects inflation of 1.1-1.5 per cent over the next two years and sees the current account surplus rising from Nkr22bn (22bn) this year to Nkr25bn in 1995. *Karen Fossli, Oslo*

ECONOMIC WATCH

German insolvencies up 31.2%

German insolvencies rose 31.2 per cent in the first quarter of this year compared with 1993, the federal statistics office reported yesterday. Credit unions warned that Germany faced its worst year of bankruptcies since 1945 with up to 11,650 insolvencies in the first six months of this year. In western Germany, insolvencies rose 21.3 per cent to total 4,945; in the five eastern Länder the number of insolvencies leapt 117.5 per cent to 1,031, the statistics office said. It predicted the rate of insolvencies would fall, pointing to a 15.4 per cent increase in March and a still lower forecast figure for April.

In the first two months of the year, the number of insolvencies had risen by up to 40 per cent. Worst affected were construction companies, trading companies and service companies, where insolvencies rose 43 per cent. Preliminary claims against debtors in western Germany totalled DM42bn (£1.7bn), similar to the figure a year before, while in eastern Germany debt totalled DM1.5bn, which, despite the dramatic rise in insolvencies, was equal to the amount a year ago.

■ The Bundesbank yesterday lowered its repurchase rate from 5.10 per cent to 5.05 per cent.

■ The Dutch foreign trade surplus narrowed to Fl 1.4bn (£500m) in January from Fl 2.2bn in December, the Central Bureau of Statistics said.

■ Finnish industrial production adjusted for working days increased 9.7 per cent year-on-year in April, and 0.4 per cent from March, Statistics Finland said.

■ The Belgian National Bank yesterday cut its key central rate to 5.05 per cent from 5.10 per cent.

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Italy tries to grasp the pensions nettle

Robert Graham on budget implications of a constitutional court decision ordering payment of arrears

The state of Italy's public finances has rudely interrupted the Berlusconi government's euphoria over its spectacular performance in the European elections.

The immediate problem is a decision last week by the constitutional court obliging the government to pay arrears on certain categories of pensions dating back to 1983. But the need to find extra funds and neutralise the impact of the court ruling has highlighted the unresolved problem of Italy's public sector deficit, still equivalent to more than 10 per cent of gross domestic product.

This in turn has provided a brutal reminder that the government of Mr Silvio Berlusconi, for all its talk of reducing taxes and stimulating the economy, has a very slim margin of manoeuvre in its as yet ill-defined economic policy. The nervous reaction of the financial markets to the court decision - both on the bourse and towards government bond prices - has rubbed home the point that the deficit cannot be ignored.

Estimates of the cost of making the pension payments vary considerably because of the complexity of interpreting the court's decision. The upper limit has been put at a staggering

ing £30,000bn (£124bn) by Mr Clemente Mastella, the labour minister, and it is unlikely to be lower than £16,000bn.

The confusion is surprising because the constitutional court decision was known to be imminent.

Its ruling in favour of paying arrears on certain minimum benefits stopped in 1983 was considered a near certainty by the previous Ciampi government and Mr Mario Colombo, the head of Ires, the state pension institute, wrote a letter on May 11 to Mr Berlusconi when he had just been named prime minister warning of the potential costs.

Tuesday afternoon was taken up by various meetings between Mr Berlusconi, his economic ministers, Ires officials and the comptroller of public accounts. Officials say that by tomorrow a definitive analysis of the cost will have been made, but they decline to say whether there will be a pre-summer mini-budget and whether plans for the 1995 budget have had to be rewritten.

The government's initial reaction is to try to spread the arrears payments over a period of years, beginning in 1995. Thus the mini-budget could be retained as the government's original objective of finding around £6,000bn (mainly in spending cuts) to hold the public



A old man buys groceries at a market stall at Porta Ticinese, Milan. The growing population of pensioners - more than 20m and for the first time more numerous than those in work - cannot be funded by the contributions of those in jobs

lic sector deficit down to £154,000bn. In this way, the timid economic recovery could be encouraged, stimulated by already announced measures giving tax incentives to invest and create new jobs.

But this approach would not obviate the need for a tough 1995 budget if Italy is to lower the budget deficit in line with

its main European partners as pledged. The government is acutely aware of this dilemma and hopes the markets will be satisfied by an early commitment - probably before the end of the month - to tackle the issue of pensions head-on.

Italy's generous state pensions scheme has become a drain on Italy's public

finances. Pensions are the largest item in the budget and account for 42 per cent of current spending. Measures introduced by the Amato government in 1993, considered bold at the time, are now inadequate.

The compulsory retirement age was raised from 55 for women and 60 for men to 60

and 65 respectively (a rise of one year every second year as of 1993). The reference period for calculating pensions was increased from 5 to 10 years and the period of contribution entitlements was raised from 15 to 20 years.

The linkage between nominal wage growth and wages was cut, restrictions were imposed on the much abused early retirement benefits and employee contributions were raised marginally to 9.9 per cent of total earnings.

According to the Bank of Italy, pension outlays last year were £181,000bn, up 4.7 per cent. But without the Amato measures the bank says the rise would have been far greater.

Equally worrying is the way the growing population of pensioners - more than 20m and for the first time more numerous than those in work - cannot be funded by the contributions of those in jobs.

This year the treasury expects to have to cover a deficit of £74,000bn. The amount is already £7,000bn above budget and could be higher, as double the number expected of local government employees have submitted requests for early retirement. There have also been costly early state-backed retirement settlements in the steel and motor industry.

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NEWS: INTERNATIONAL

Japan MPs urge electoral amnesty

By William Dawkins in Tokyo

A majority of members of Japan's lower house of parliament yesterday called for an electoral amnesty until the establishment of new constituency boundaries, likely this autumn.

The request, in a petition signed by 306 of the 511 members of the lower house, was presented to Mr Tatsuo Hata, prime minister of the embattled minority government.

This reduces the likelihood of a sweeping change in government over the next few months, but does not rule out a vote of no confidence against the administration.

Mr Yohsuke Kono, president of the Liberal Democratic party, and Mr Tomiochi Murayama, chairman of the Social Democratic party, the two biggest opposition groups, have called for a vote of confidence after this year's long-overdue budget gets through the upper house. Parliamentary officials expect the budget to be adopted by June 23, a week before the end of the parliamentary session on June 29.

If successful, such a vote would lead to a cabinet reshuffle which could broaden the government with opposition members getting ministerial posts.

Signatories to yesterday's

petition, organised by Mr Yuki Tsushima, chairman of the LDP's main policy board, include 61 LDP politicians and 34 from the SDP. This confirms that opposition parties agree, after weeks of indecision, that they would gain little by calling an election under the existing multi-seat constituency system. That would make it look as if they wanted to delay a no-confidence vote.

Meanwhile, the coalition is negotiating behind the scenes to attract support from both opposition parties and stave off a no-confidence vote.

Here the North Korean crisis has tipped the balance towards a coalition partnership with the LDP, on the grounds that it may need LDP moderates' support for sanctions against Pyongyang. The strategy of Mr Kohki Kakizawa, foreign minister to the recent ministerial meeting of the Organisation for Economic Co-operation and Development.

broad LDP support. Mr Kakizawa was a member of the LDP until seven weeks ago, when he accepted a job with the new government.

A growing number of LDP politicians want to keep Mr Hata in power at least until early next month, to avoid Japan looking embarrassingly leaderless at the annual Group of Seven summit in Naples from July 8 to 10.

A last-minute parliamentary rush to get the budget through the lower house prevented Japan from sending a cabinet minister to the recent ministerial meeting of the Organisation for Economic Co-operation and Development.

Prices of food rise sharply in China

By Tony Walker in Beijing

Chinese consumers have been rocked by a series of steep price increases for staple foods such as grain, prompting widespread grumbling at a time of worker and peasant unrest.

The authorities last week increased the price of premium quality flour by 37 per cent and rice by nearly 17 per cent. This comes on top of steep price rises for most basic commodities in the past 12 months.

A Beijing municipal official confirmed yesterday the price rises had come into force on June 10, but he said the Chinese media had been instructed not to report details to avoid inflaming opinion.

The price increase coincides with simmering unhappiness over price increases in urban and rural areas. Agitation among industrial workers has become commonplace. Cost of living increases are running at more than 20 per cent in China's cities.

"Analysts do not expect the inflationary pressures to abate because of the persistent adverse factors that took place in 1993," the paper said.

The State Statistical Bureau yesterday forecast reduced economic growth this year to between 9 and 10 per cent compared with 13 per cent in 1993. It reported that growth slowed to about 12 per cent in the first half of this year. This would "make it easier" to achieve the targeted growth rate of 8-10 per cent.

China has this week made a welcome shift in its attitude to stopping nuclear tests but should go much further, according to a group of US arms control experts visiting London to lobby for a comprehensive test ban.

The experts criticised US handling of the North Korean crisis, saying it had raised the stakes too quickly and left Pyongyang with no way to back down without losing face. "We are pushing the North Koreans into a corner," said Mr Paul Warnke, the US government's former head of arms control talks.

The shift in British policy was indicated by Mr Jonathan Aitken, defence procurement minister, in a parliamentary answer. He made it clear Britain would no longer insist any test ban treaty must contain loopholes that would allow small-scale explosions in the interests of safety.

"We now aim to use and develop alternative technologies," the minister added, indicating Britain was confident computerised simulations could substitute adequately for nuclear explosions.

Arms control advocates are lobbying hard for the five nuclear powers to conclude a comprehensive test ban treaty at their negotiations in Geneva this year. They believe a test ban will help persuade smaller countries to agree to extension and consolidation of the Non-Proliferation Treaty when it comes up for renewal in 1995.

Mr Warnke and his colleagues urged Britain to become an advocate of an early test ban, as opposed merely to following the US lead. They said Britain was wrong to insist that as many as possible of the world's potential nuclear "miscreants" should sign up before any test ban treaty entered force. This stance could lead to fatal delays in installing a new non-proliferation regime.

The Korean crisis has driven home the need for some internationally agreed arms control system, even if not all countries wanted it, because otherwise there would be no mechanism to isolate and punish wrongdoers. China wants to complete a series of nuclear tests before agreeing to a ban.

In France, President François Mitterrand is a strong advocate of a ban, but right-wing opponents have reservations.

Signals mixed on industrial production

By Gerard Baker in Tokyo

Japan's industrial output fell in April more sharply than previously reported, according to figures published by the Ministry of International Trade and Industry yesterday. Output dropped by 1.9 per cent, against last month's estimate of 1.4 per cent fall.

Monthly figures have been subject to erratic fluctuations in the past year,

and the more reliable three-month-on-three-month trend shows industrial output rising from its trough at the end of last year. In the three months to April, output was 1.9 per cent higher than in the previous three months. That sharp rise in industrial production since the start of the year will be reflected in the figures for gross domestic product for the first quarter of 1994, expected to be published next

week. Yesterday, officials at the government's Economic Planning Agency (EPA) hinted that the statistics were likely to show the country's total output of goods and services rose in the first quarter of the year by between 0.5 and 1 per cent, an annualised rate of 2.3 per cent.

The EPA has been markedly more bearish about the economy than other government institutions recently. But, according to officials at the EPA, the publication of the GDP figures will be accompanied by a more upbeat assessment of the country's economic prospects.

Independent economists are likely to be more cautious. The country has experienced strong growth in the first quarter of each of the past three years, only to see output fall back again later in the year.

Canberra warns Pacific islanders

By Nikki Tait in Sydney

Australia, a substantial trading partner and provider of aid to the South Pacific, yesterday urged island nations to improve internal government policies, warning that they could face serious and mounting economic problems if they failed to act.

In a hard-hitting speech, Mr Gordon Bilney, Australia's Pacific island affairs minister, said there were some broad issues - such as environmental management, population growth, aid trade and investment - "which if not addressed with a sense of urgency could have consequences which would make more immediate political problems seem small by comparison".

Mr Bilney noted that real gross national product in the Pacific island countries had grown by an average rate of only some 0.1 per cent a year over the past decade. "In short, whatever policies we've been following in the South Pacific - and by 'we' I mean island countries and donor countries alike - are demonstrably not working," he said.

The minister offered few precise remedies, but stressed the need to achieve lower population growth rates by "a careful mix of policies". He also urged nations to develop a united approach towards bigger, distant-water fishing nations, to ensure sustainable development; to guard against exploitation of topical forests; and to mobilise domestic savings and open their economies to foreign investment.

Asked whether Australia would consider withholding aid from Pacific nations which failed to improve internal policies, Mr Bilney said this was "far too stark".

Mr Bilney's speech represented the first significant policy statement on the South Pacific from an Australian minister for six years. Australia's trade with the region amounts to around A\$63m (£3.6bn) a year, and its aid contribution is close to A\$500m.



Pro-democracy activists print a gun and flower design for placards to be used at a rally in Bangkok yesterday evening to back Mr Chalard Vorachai. The Thai MP is on the 22nd day of a hunger strike in support of demands for a more democratic constitution.

Aviation body calls for tighter procedures in airline licensing

Iata presses Russia on air safety

By Paul Betts, Aerospace Correspondent, in Geneva

The International Air Transport Association (Iata) is urging Russia to enforce more stringent licensing procedures for new airlines and improve flight safety standards in the face of an alarming increase in the country's air accident rate.

Iata is also worried by flight safety standards in the rapidly growing Chinese market.

Mr Pierre Jeanniot, Iata's director-general, yesterday said he had written to the Russian authorities recommending them to be "more cautious" in granting licences for airlines being established following the break-up of Aeroflot.

Iata officials said civil avia-

tion figures from the former Soviet Union showed "a considerable decrease" in safety last year and so far this year.

Although the volume of air traffic has been falling because of high fares and poor service standards, the number of deaths caused by air accidents increased last year to 348 people compared with 260 in 1992.

This year, the figure is likely to be even worse following the Aeroflot Airbus A321 crash and another fatal accident involving a Russian-built Tupolev Tu-154 airliner.

But on China, Mr Jeanniot said he was encouraged by the Beijing government's decision to limit the number of new licences it is issuing for new

domestic airline operations.

"China realised they were getting a bit thin to ensure safety standards and decided to curb growth a little to ensure better safety," he said.

He suggested Russia should adopt such a policy at a time when applications to start airlines continued to flood in. Since the split-up of Aeroflot, there have been requests for licences to establish more than 200 airlines in the former Soviet Union.

Iata senior officials will also be visiting China next week to discuss how the organisation, grouping more than 220 airlines, could assist in improving and modernising China's air transport industry.

The crash in China last

month of a Russian-built aircraft killing 160 passengers, has highlighted safety problems facing Chinese civil aviation, which is suffering a severe lack of infrastructure at a time when the market is growing by around 20 to 30 per cent a year.

"The growth of aviation in China is spectacular but they have to learn to cope with that growth," Mr Jeanniot said.

It is understood the UK Foreign Office may warn travellers to avoid if possible using internal Chinese flights. It has issued a similar warning to avoid domestic flights in Russia. The US Air Transport Users' Association has warned travellers not to use domestic carriers in Russia.

Iata officials said civil aviation figures from the former Soviet Union showed "a considerable decrease" in safety last year and so far this year.

Both prosecution and defence sides are considering appealing against sentences handed out in the Abu Dhabi courts on Tuesday to 12 former executives of the collapsed Bank of Credit and Commerce International.

It was also unclear yesterday whether periods spent in detention in the Police Officers' Club in Abu Dhabi by 10 of those charged would count towards their sentences.

Six of those found guilty have been sentenced to three years each, but since under local law 21 days counts as a month and they have been held since September 1991, this period has expired.

The Abu Dhabi authorities

in prison, given the improbability of being able to pay the civil penalties imposed.

It appeared that any judgment on this would rest with the Abu Dhabi court of execution, a senior court.

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The Abu Dhabi authorities

New violence overshadows Algeria's debt problems

International creditors wonder whether refinancing will prove a futile gesture, writes Francis Ghiles

When Algeria's commercial bank creditors meet in the next few weeks they will almost certainly follow the example of the country's official creditors at the beginning of the month and reschedule or refinance its \$4.7bn (21.3bn) of commercial debt.

But they are unlikely to be any more convinced than the official creditors are that the violence and political stalemate will not make it a futile gesture.

For one thing, Algerian President Liamine Zeroual's hopes of quelling the country's Islamic insurgency appear to be foundering. After a lull in April radical Islamic groups have resumed their attacks on troop convoys, barracks and other army installations.

Between 30 and 40 people are dying every day. State-owned vehicles and buildings are being put to the torch. The control room of the Meftah cement plant near Algiers was sabotaged a few weeks ago, cutting production of a vital input for industry.

The surge in violence is causing increasing concern in western capi-

tal cities where it had been hoped that the recent agreement between Algeria and the International Monetary Fund - followed two weeks ago in Paris by the rescheduling of \$3bn of the country's \$25bn foreign debt to sovereign lenders - would pave the way for much-needed economic reforms.

At the London Club meeting of commercial creditors, expected later this month, the Japanese banks will play a key role. This is not only because they hold two-thirds of Algeria's commercial bank debt, but because they play a key role in fin-

ancing the projects of Algeria's oil and gas company, Sonatrach. Some 95 per cent of Algeria's foreign exchange income is derived from exports of hydrocarbons and Sonatrach's capacity to increase those earnings are key to Algeria's recovery.

While the Japanese banks oppose rescheduling, France has put considerable pressure on Tokyo, as it fears a fundamentalist takeover in Algeria if strong international financial backing is not available to its former

colonial ruler. Gen Zeroual initiated a twin-track policy of dealing with the violence, now in its third year. He sought to establish contacts with imprisoned leaders of the Islamic Salvation Front (FIS), which in January 1992 was headed by the army which cancelled Algeria's first multi-party elections since independence. In fact, Gen Zeroual met the two imprisoned FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, before he became president.

The second track to Gen Zeroual's policy was to order the security forces to "clean up" areas which had fallen under the control of Islamic groups.

Gen Zeroual's desire for some sort of dialogue was a break with the past when senior members of the regime, notably the army chief of staff, General Mohamed Lamari, made no secret of their wish to "eradicate" the fundamentalists.

During the past four weeks however, supporters of the Islamic Armed Movement (MIA), which is the military wing of the FIS, and the more radical Islamic Armed Group (GIA) have murdered dozens of converts - in some cases by slitting their throats with knives inside their barracks.

Clashes have occurred in Telagh and in the port of Tunes, to the west of Algiers, in Medea and Bouzaija south of the capital and between the ports of Jijel and Collo to the east where, on May 13, a military convoy escorting 25 Russian civilians back to Algiers was ambushed, leaving three Russians and 11 Algerian soldiers dead and many wounded.

Diplomats in Algiers are however increasingly concerned at what they

feel is the loss of control of the imprisoned or exiled FIS leadership over the MIA, let alone the GIA. Those leaders were trained in the camps of Peshawar in Pakistan and fought against the Russian troops in Afghanistan.

Meanwhile, infighting among senior army and security officers continues. The chief of staff, General Mohamed Lamari, appears to have gained the upper hand for the time being. But a number of his peers are reportedly to be unhappy about the high human cost of the tactics of "eradication". Many of the doubters belong to a younger breed of educated officers who did not fight in the war of independence against the French and have supported efforts to usher in a more modern style of economic management. Foreign observers fear that a serious split among senior commanders on how to deal with the FIS could lead to a coup - or civil war.

Ordinary Algerians continue to pay the price. Educated guesses put the number of lives lost at more than 5,000 in the past 28 months. Many fear the Islamic radicals who

two weeks ago killed the rector of the Bob Ezouz University of Science and Technology, Professor Salah Djebali. Others fear the security forces that conduct what the human rights organisation Amnesty International recently called "extra-judicial executions... in total impunity". Shadowy government death squads are widely blamed for the recent murder of four lawyers known for their defence of Islamic activists.

Meanwhile, the 49 per cent devaluation of the dinar, which preceded Algeria's letter of intent to the IMF, resulted in relatively modest food price increases as most prices were already freely set by traders. The government also set up an effective "safety net" to soften the effects of the devaluation on the purchasing power of state employees. This helped enlist the support of the powerful trade union movement.

Senior western diplomats and oil company executives are praying that the worst will not come to pass. But one admits in private to "functioning on a wing and a

Rwandan pledge on ceasefire

The annual pan-African summit ended on an optimistic note yesterday, after winning agreement from Rwanda's warring parties to implement an immediate ceasefire, Reuter reports from Tunis.

"In view of the urgency of the situation and in their strong desire to restore peace, seriously compromised in Rwanda, the parties to the conflict have agreed to put an immediate end to hostilities," a communiqué said after the three-day Tunis meeting of the 53-member Organisation of African Unity.

However, fighting in the Rwandan capital Kigali did not immediately abate. "Heavy mortars and small arms fire have rocked the city since dawn," said Brigadier General Henry Anyidoho, the deputy commander of a haphazard United Nations peacekeeping force. The headquarters of the UN mission in Rwanda was hit by gunfire, he added.

UK
push for
total
test ban

Germans and Swiss in pitch for WTO

By Frances Williams in Geneva

Switzerland and Germany, the two contenders to host the new World Trade Organisation, set out their respective stalls for Geneva and Bonn yesterday with a tempting array of financial inducements, benefits and privileges for the organisation and its staff. Members of the preparatory committee of the WTO, which is scheduled to take over from the General Agreement on Tariffs and Trade on January 1 1995, agreed yesterday to aim for a consensus decision by July 15.

Geneva, now home to Gatt and several United Nations agencies, remains the clear favourite. But the possibility of losing the WTO to Bonn, with the risk that this could start an exodus of international organisations from Geneva, has goaded the Swiss government into unprecedented generosity.

Germany, which is moving the seat of government to Berlin at the end of the decade, is meanwhile mounting an aggressive campaign to attract international organisations who could fill empty government offices and provide substitute jobs and incomes. If the WTO were to choose Bonn, others might follow.

Both offers include splendid rent-free accommodation (in Bonn the federal parliament buildings from 1988, in Geneva Gatt's lakeside headquarters) and conference facilities. Bonn is offering to meet removal costs and installation expenses, but Geneva is offering a building to house the diplomatic missions of least-developed countries, which would greatly reduce the costs to them of WTO and UN representation.

Geneva also has the advantage of a concentration of international organisations, including some with which the WTO will need to work closely such as the World Intellectual Property Organisation, the UN Conference on Trade and Development, the UN Environment Programme and other environmental groups.

Japanese makers increasing purchases of US parts

Car import issue unresolved

By Michiyo Nakamoto in Tokyo

The US and Japan yesterday ended three days of negotiations on increasing car and car parts imports with few indications of any concrete progress.

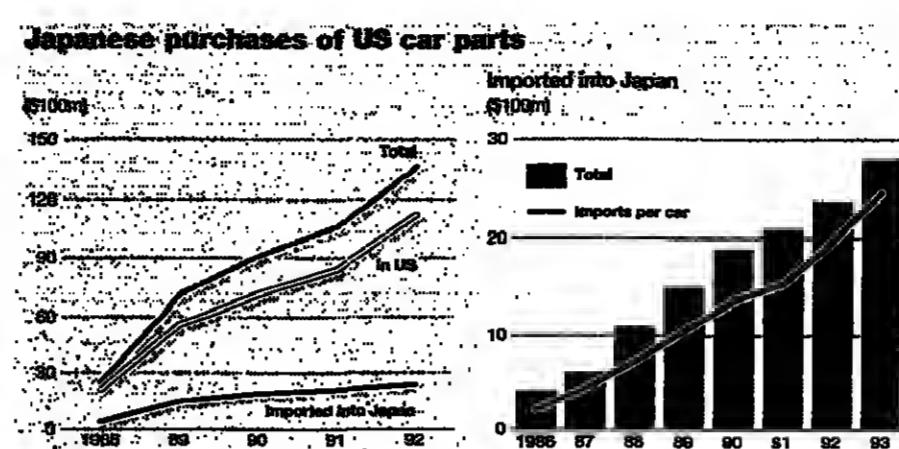
One Japanese trade negotiator said that the two sides still encountered differences in the bilateral car sector talks and that discussions would continue next week in Washington.

But while negotiators were locked in discussion over how to improve market access for foreign car and car parts makers, there were indications that political pressure and market forces were doing their part to improve foreign access to Japan's car industry.

Toyota, Japan's largest car maker, said it had increased its purchases of US-made car parts by 5 per cent last year to \$4.55bn (£3.1bn), or more than four times the \$1.1bn it spent five years ago.

Toyota expects procurement of US-made car parts will increase to \$5.28bn this fiscal year as a result of increased local procurement in the US and greater imports. This is in line with a voluntary plan to increase procurement of US-made car parts announced by the company in early 1992 when former President George Bush visited Japan with US car industry executives.

Behind the increase in car parts procurement by Japanese car makers is a pressing need to reduce costs and remain



Mr Alex Trotman, chairman of Ford of the US, the world's second largest car maker, warned yesterday that weak currencies would not protect European and North American car makers for long from Japanese competition, writes Kevin Done. Despite the deep recession in the Japanese vehicle market Toyota, the leading producer, still had cash reserves of \$22bn (£14.5bn), he said. "They are planning to be competitive with a yen at about Y55 to the D-Mark or Y90 to the US dollar," he told the International Chamber of Commerce in Paris.

"Protectionism lives in Japan," claimed Mr Trotman, but the protection had come at the cost of the Japanese consumer. Japan's economy was run primarily for the benefit of its producers. He warned that "Japan either must open its market, or the yen will open it up for them".

competitive in the face of a high yen. Toyota already purchases 90 per cent of the leather it uses from US suppliers and 10 per cent of its sheet glass, "Domestic prices are too high," it says.

Mitsubishi Motors, which recently said it was consider-

ing buying steel from Korean makers to reduce costs, is also looking into whether it can procure the same parts for its Japanese-made cars as it does at the Diamond Star Motors factory in the US.

Local procurement in the US is expected to rise to between

Electrolux resumes presence in S Africa

By Hugh Carnegy in Stockholm

Electrolux, the world's leading maker of household appliances, yesterday said it was resuming a direct presence in South Africa through a joint venture with Barlow, the South African industrial group.

The Swedish company sold out its operations in South Africa in 1977 after Sweden imposed trade sanctions and barred any new investments during the apartheid regime. The lifting of sanctions at the beginning of this year prompted moves back into the market by several Swedish companies, including the pharmaceutical groups Astra and Pharmacia.

Electrolux forecast it would shortly become the market leader in South Africa in vacuum cleaners and garden equipment. It will hold a 60 per cent interest in the new venture, to be called Electrolux South Africa, which will include the operations of the hitherto Barlow-owned Electrocold, which has been making Electrolux products in South Africa under license, and the local sales of AEG white goods bought by Electrolux this year. The venture will initially make and sell absorption refrigerators, vacuum cleaners and garden products with projected sales in its first year worth SKr250m (£21m).

Row over award of Portuguese bridge contract

By Jimmy Burns in London and Peter Wiles in Lisbon

before we even started bidding. It now seems obvious to us that we were simply allowed in to stimulate competition."

In awarding the contract, Gattel said the two final offers were tied in terms of financial proposals but that the Trafalgar House consortium won on "technical grounds".

The deadline for the losing consortium to appeal against the decision expires on Monday.

Mr Joao Morais Leitao, the Portuguese lawyer for the Trafalgar House group, yesterday said that the decision on technical aspects was made in Trafalgar's favour in January, four months before the final decision was announced, and that the rest of time was spent on deciding other aspects.

The Bouygues and Trafalgar consortiums were shortlisted in November 1993. It later emerged that the European Union was committed to providing a grant covering about half the cost of the project through the Cohesion Fund. Trafalgar House and the French group Campenon Bernard each have 24.8 per cent in the project. Five Portuguese companies have 50.4 per cent. The consortium known as Lusoponte plans to complete the 12km bridge by March 31 1998, in time for Expo '98, which is being hosted by Portugal.

US companies use protectionist tactics, says budget office

By Nancy Dunne in Washington

A report by the Congressional Budget Office concurs with a long-standing contention by foreign companies that US anti-dumping and subsidy laws have become a protectionist tool for uncompetitive US companies.

"Many of the legal provisions and procedures that have evolved – especially those used for calculating dumping margins – are biased against foreign exporters and against US consumers of foreign

goods," the report says.

The study, requested by senior Republicans on the House ways and means committee, which oversees trade, has drawn fire from a top US Commerce Department official. The report's flaws, said Ms Susan Esserman, are "far-reaching in both substance and scope as they suggest a fundamental misapprehension of... the role and application of the anti-dumping and countervailing duty laws."

While the debate over the so-called "trade remedy" laws is raging, the

Clinton administration is struggling to balance competing interests as it amends the laws in implementing legislation for the Uruguay Round deal. A ways and means committee memo on the exercise says about 70 changes to the laws are required with about 25 of them likely to raise "significant policy or political issues". Several lawyers representing exporters said an effort was under way to give domestic petitioners an advantage in administration reviews, when duty levels are assessed.

Senior Republicans said they would use the CBO study to help ensure that the changes were not protectionist. "US exports during the past five years are the most frequent target of dumping actions in other countries," said Congressman Bill Archer a Republican on the ways and means committee. "If the US resorts to using its laws in a protectionist manner, we can be sure that foreign governments will also adapt such practices and avoid meaningful reform of their anti-dumping laws," he said.

The CBO study said the evolution of the laws as a protection for US industry abrogated the original purpose of the law, which was to protect against predatory pricing. Ms Esserman said the CBO had it wrong, that the law was consistent with Gatt and provided a remedy to domestic industries injured by imports and sold "at less than fair value".

"The report appears to proceed from unstated theoretical premises hostile to the purposes of the trade laws and is myopic in its failure to consider the real world implications

of its assumptions," she said.

Mr Bruce Turnbull, a trade lawyer who has carefully followed the implementing legislation, said initially the administration favoured US protectionists. Currently its position was less clear.

A number of export industries, including the steel-using manufacturers, have formed a Pro Trade Group, which this week called on the administration to "adhere to the market-opening thrust of the Gatt agreement in adopting fair proposals".

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NEWS: THE AMERICAS

Battle lines emerge on derivatives law

By George Graham
in Washington

Debate is intensifying over a US government study of derivatives trading that could play a central role in congressional deliberations on whether to impose tighter regulations on the sector.

The study by the General Accounting Office, the government audit agency, warned of gaps in the regulatory framework that threatened severe damage to the financial system, and recommended new legislation to bring federal oversight to unregulated subsidiaries of securities firms and insurance companies dealing in derivatives. These are sometimes complex financial instruments whose yields are tied to other securities or indices.

The International Swap and Derivatives Association, a grouping of big dealers, attacked the GAO report as "good facts" but "bad conclusions".

"Anecdote, conjecture and surmise are not sufficient

bases for imposing restrictions on an essential risk management tool," ISDA said last week.

The GAO has issued an unusual rebuttal of the ISDA document, challenging its criticisms and insisting its own recommendations, issued last month, would neither increase costs nor reduce the availability of derivatives.

Mr James Blotwell, GAO's director of financial institutions and market issues, challenged ISDA's view that derivatives raise little risk of "domino" failures through the linkages they create between separate financial markets.

"The potential for derivatives linkages to hasten the spread and expand the scope of problems during any financial system crisis is a sound reason for federal oversight of derivatives," Mr Blotwell said in testimony to a House of Representatives subcommittee.

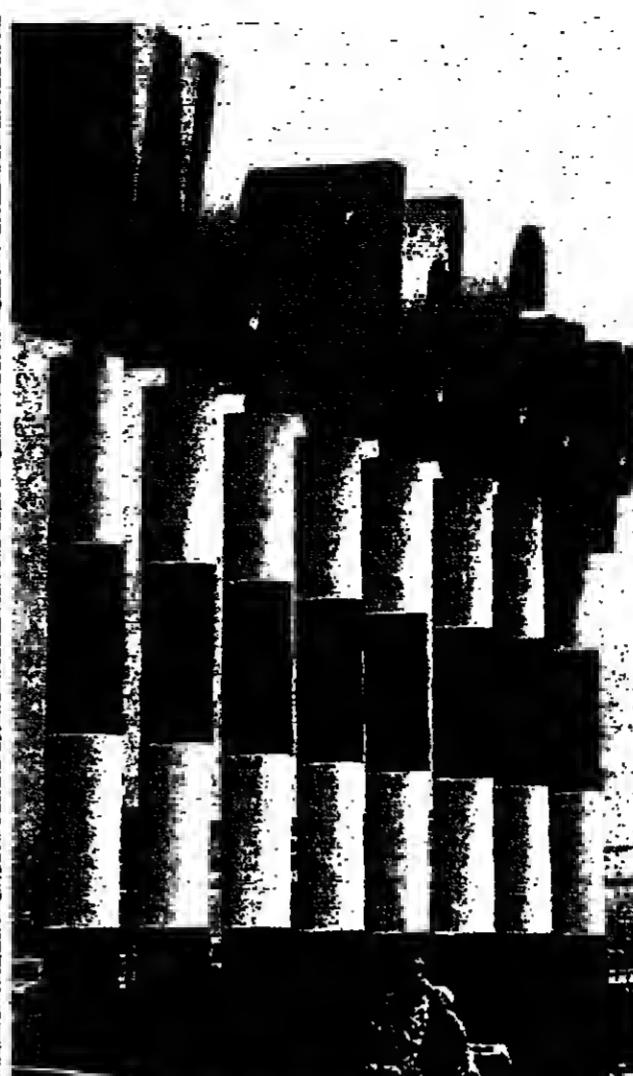
Congressman Edward Markey, the Massachusetts Democrat, who has been one of the loudest voices calling for more

regulation, has asked the GAO to expand its original survey by studying dealers' sales practices, to make sure they are selling only to customers able to understand the product's complexity.

Some express scepticism at the prospect of riding to the rescue of banks, multinational corporations and international fund managers, who are the largest customers, but concern remains over whether derivatives are being sold to relatively unsophisticated local government treasurers.

Senior congressional leaders do not share Mr Markey's haste, and have decided not to push for derivatives legislation this year. The Clinton administration continues to argue there is no immediate need to change the law.

"The Treasury has not concluded that other legislation concerning over-the-counter derivatives is necessary or appropriate at this time," said Ms Darcy Bradbury, deputy assistant secretary for federal finance at the Treasury.



Getting ready for the cup at the Giants stadium in New Jersey. Daily FT coverage of the World Cup starts tomorrow.

Brazilian currency tensions increase

By Angus Foster in São Paulo

Tensions are rising in the Brazilian government ahead of the July 1 launch of the country's new currency, the real.

President Itamar Franco, a populist who has often opposed the orthodox economics of the finance ministry, is thought to support lower interest rates and improved wage levels, at least for some public sector employees.

However, the finance ministry believes relaxing policy on either front would threaten the government's anti-inflation plan, of which the new currency is the final step.

Mr Romildo Soeiro, a minister with links to the military, is pushing to unify public-sector pay at a single, higher rate and for an extra 29 per cent army pay rise.

Both measures would benefit the armed services, but could cost between \$5bn and \$7bn a year. Such an increase would immediately send the government budget into deficit and undermine the credibility of the real.

In the past, some of President Franco's more wayward demands have been blocked by his advisers or the former finance minister, Mr Fernando Henrique Cardoso.

But Mr Cardoso's successor, Mr Roberto Riemer, has so far seemed less prepared to stand up to the president.

For example, President Franco decided last week that private-sector school fees would be cut sharply when the new currency is introduced, even though such measures are unsustainable for more than a few months.

For the finance ministry, which is finalising details of introduction of the real, disagreement within the government and threats to the budget are very worrying.

The real, which will initially be pegged at parity to the US dollar, is to be backed by a portion of Brazil's \$35bn foreign reserves.

Caracas bank closures under fire

By Joseph Mann and Stephen Fidler

The decision by the government of President Rafael Caldera to shut down eight troubled financial institutions provoked criticism in Venezuela yesterday, although it was viewed by some economists as the best way to stem a drain on the government's budget.

The Venezuelan banking council, which represents the private banks, sharply questioned the government's move and said its members had not been consulted.

In Congress, Deputy Gustavo Tarre, leader of the opposition Christian Democrat Copei Party, described the government's decision as "late", but agreed that official financial aid to the banks could not continue indefinitely.

Seven banks (Amazonas, Bancor, Barinas, Construcción La Guaira, Metropolitano, and Maracalbo) and a finance house, Fiveca, were closed. They were controlled by some of the country's most prominent business families such as the Mendoza (Banco La Guaira), the Dílases (Banco Construcción) and the Brillenboughs (Banco Metropolitano).

The closing of the banks, which included the government takeovers of more than 50 subsidiary financial companies, represented a heavy blow to the Venezuelan economy, already in the second year of an economic recession.

The move raised questions about whether there would be a further loss of confidence in the banking system, already damaged by the collapse of the second-largest bank, Banco Latino, at the start of the year.

The banking collapse has come at a time when the government has been trying to get its budget under control.

The government has announced action - including accelerating privatisations - to bring down the budget deficit, which was running at a rate of 8-10 per

cent of gross domestic product earlier this year.

The government has been helped by higher oil prices than forecast and the bolívar's devaluation - which raises the local currency revenues from oil sales abroad by the state oil company. But the bank crisis has cost the government dear: the estimated cost so far is estimated at \$6bn (£4bn) - half of which has gone in financial assistance to the eight banks.

The administration finally decided the banks' losses were getting out of control and it had to stop the continued loss of official aid funds.

IDEA, an economic analysis company and the London School of Economics said yesterday the banks' closure does not mean the drain on public finances is over, since the government may decide to further reimburse depositors.

"Nonetheless, a one-off reimbursement of depositors is a far better situation than a continuing bleeding of public finances through attempts to bail out unprofitable banking concerns," they said.

The closure affects around 2m account holders in a nation of just over 20m, and an estimated 14 per cent of deposits at the country's 49 commercial banks. Calculating the true volume of deposits held is tricky, since many banks held large sums in offshore subsidiaries that did not appear on their balance sheets.

As of May 30, the government estimated their total losses at over \$2.1bn, or around 30 times registered capital as of the end of 1993. Venezuelan officials said that the banks could reopen after a week or so to begin repaying depositors up to the equivalent of approximately \$24,000.

However, the final disposition of these banks remains in doubt. Former owners have until June 29 to come up with cash to re-capitalise their banks and recover control. If this does not occur, the most likely option is liquidation.

Robb easily wins Virginia primary

By George Graham

Senator Chuck Robb easily won the Democratic party's nomination to represent Virginia in the US Senate, picking up 58 per cent of the votes in Tuesday's primary election.

But November's general election will pit Mr Robb not only against Mr Oliver North, the controversial former marine nominated by Virginia Republicans, but also against two independent candidates.

Both Mr Douglas Wilder, a former Democratic governor, and Mr Marshall Coleman, a former attorney general, filed petitions with more than enough signatures to get their names on the ballot paper in November.

None of the candidates arouses much enthusiasm among Virginia voters. Mr Robb has been tarnished by his sexual exploits, while Mr North, who has admitted lying to Congress over his role in the Iran-Contra affair, has been denounced by Virginia's senior senator, Republican Senator John Warner.

A poll by Mason-Dixon last week showed all four candidates close together: Mr Robb first with 28 per cent, and Mr North last with 21 per cent.

Voter turnout is expected to be crucial to the final result, and to judge by Tuesday's primary, when fewer than 10 per cent of Virginia's registered voters took part, is likely to be low.

Mr Robb collected only 154,524 votes, which was barely a tenth of his score in his last election. He did, however, win nearly 70 per cent of the votes in the populous Washington suburbs of northern Virginia.

Senators will fight move to end Alaska oil export ban

By Jeremy Kahn
in Washington

US senators are promising strong opposition to any attempt to lift the 20-year ban on Alaska North Slope oil exports when it comes up for renewal at the end of this month.

Senator Pat Murray of Washington state claimed yesterday a "broad coalition" of interests backed the current export prohibition, and most of her colleagues would vote to keep it in place.

Mr Howard Marioway, director of the Coalition to Keep Alaska Oil, a lobbying group representing business, consumer and labour interests that has successfully fought off

three attempts to kill the ban, said more than 80 senators had indicated they would vote to keep the export prohibitions.

The Department of Energy is working on a report, not yet released, but rumoured to offer economic evidence supporting abolition of the prohibition.

Alaskan North Slope oil accounts for nearly 25 per cent of the US's 6.6m barrels of daily output. At present, most of this oil is refined in California, but if the ban is lifted, it could be exported to Asia.

The ban was introduced in during the 1973 oil crisis to protect national oil supplies, but since been embraced by environmentalists eager to protect Alaska from further oil development.

British Petroleum, the largest producer in Alaska and the company with the most to gain from the ban's removal, has persistently pressed for the lifting of the prohibitions.

There are indications that organised labour, formerly a big stumbling block to those fighting to lift the ban, is coming around to BP's side.

The seafarers' union, which supported the ban because Alaskan oil must be carried on US-flag ships when it is transported to another US state, has apparently reached a deal with BP. They will no longer oppose lifting the prohibition, in exchange for new legislation requiring that all Alaskan North Slope oil exports be carried on US-flagged vessels.

Part-purchase of island's telephone monopoly may be first in wave of investment

Mexico venture set to get Cuba on the line

Foreign participation in the privatisation of the Cuban telephone system appears to be the most improbable of ventures. The country cannot receive remittances from its biggest long-distance market, the US. The local currency is not convertible. The telephone network, largely untouched since the 1959 communist revolution, is rapidly deteriorating. And the privatised company may be subject to compensation claims dating back to its nationalisation.

But Mexico's Grupo Domos, which will spend nearly \$1.5bn over the next several years to purchase 49 per cent of Cuba's telephone monopoly, EntelCuba, and to modernise the island's telecommunications infrastructure, believes it has structured the contract in a way that is "viable financially, politically, and legally".

If it is right, the move, by simultaneously improving business services and setting a precedent for long-term private investment in Cuba, could set off a wave of foreign investment in the country.

The big price tag for the company, which had some US telephone company executives gasping in disbelief,

is not quite as large as it seems. Domos will pay about \$500m for its share in the company, as much as half of which is expected to come from a foreign partner with telecommunications technology that the British investment bank Rothschild believes it has lined up. Another \$200m in long-term preferential-rate financing will be obtained in a swap

its investment depends on two uncertain things: a change in US policy towards telephone communications with Cuba and the convertibility of the Cuban peso. Currently all transmission charges due to Cuba for telephone traffic between the island and the US go into an escrow account being held for potential legal claims against Cuba.

Ted Bardacke on a foreign project that at first sight seems improbable

deal liquidating the Cuban government's outstanding debt with Mexico. The remaining \$300m, half of which the Cuban government will have to put up, will be invested over a seven-year period in an ambitious modernisation programme. The plan calls for a three-fold expansion in the network's penetration to 1m telephone lines. As part of the arrangement, EntelCuba has received a 55-year monopoly concession on local and long-distance service as well as data and image transmission.

Still, Domos's ability to recuperate

For this reason Cuba limits direct calls from the US to 300 a day and all other calls between the two countries get routed through third-party nations. However, while tightening the US blockade of Cuba in most other ways, a 1992 law authorises the US Federal Communications Commission to increase communications links between the two countries and the US Treasury to allow dollar payments to Cuba for telephone calls.

As a result of that change, WITEL International, a large long-distance carrier in the US, signed an agree-

ment in March with EntelCuba to build a fibre optic line from the tip of Florida to a point near Havana. The deal and the mechanism to remit payment to Cuba are awaiting White House approval, but the concept has been agreed to in principle, according to WITEL executives.

WITEL estimates that in 1991 600 call attempts were made from the US to Cuba and that, in the first year of liberalisation of telephone services, between 25m and 50m minutes of calls would be handled. EntelCuba would be entitled to about 60 cents per minute plus a surcharge of about \$1 per collect call made from Cuba to the US.

WITEL and Domos say a convertibility scheme for the Cuban peso has been worked out with the Cuban government, though they would not offer details.

The prospect of change in policies by a post-Castro government does not worry Domos. "A new Cuban government will not be more to the left than the current one. It will have to be more capitalist," says Pedro Sepulveda of Domos.

Domos also discounts the question of compensation claims, arguing that the infrastructure is practically

worthless while no new investment could be subject to such a claim.

Yet others are not so confident. "If you buy anything Castro nationalised then you are buying into a potentially dangerous logic," says an telephone executive who has regular dealings with Cuba, "because by purchasing something from his government you are validating the right of expropriation. If it was OK for Castro to expropriate and then privatise, wouldn't it be OK for a new government to do the same thing?"

Claims by US citizens on property in Cuba, including EntelCuba, are almost certain as part of any move by the US to lift the blockade, according to Jorge Dominguez, a Harvard professor at the Inter-American Dialogue in Washington.

Yet Prof Dominguez is optimistic the deal can work because Cuba needs to modernise its telephone system to bring its economy up to a functioning level. "This is very different from other private investments in Cuba... because it is a long-term project, it will have an innumerable multiplier effect on the economy and shows the openness of the Cuban government to privatisation," he says.

British

Minister
admits he
acted in
ail dispute

Sluggish growth in US industry output

British Gas warns on price formula

By David Lascell, Resources Editor

British Gas warned yesterday that a new price formula for gas transportation charges would prevent it from increasing its dividend this year and could force it to curtail its £900m a year pipeline investment programme.

The formula, a key step in the liberalising gas supply, was announced by Ms Clare Spottiswoode, the director general of Ofgas, the industry regulator.

She is proposing that from next October BG be allowed to charge 14.16p per therm of gas that it transports through its pipeline. After that annual

increases will be limited to the rate of inflation minus five percentage points. The proposal will have no immediate effect on gas prices paid by consumers, which are covered by a separate pricing formula. Gas transportation charges amount to half the cost of gas delivered to the home.

The formula will cover the transportation and storage arm which BG is having to set up as a separate unit, following last year's inquiry by the Monopolies and Mergers Commission. The unit will sell its services both to BG and independent gas suppliers who are being allowed into the market over the next three years.

Mr Cedric Brown, British

Gas chief executive, said the formula was "very tough and would leave us with an even more difficult task to deliver an acceptable return to shareholders."

"Taken together with regulatory pressures on its gas business as a whole, it will be difficult for the company to justify any increase in dividends for 1994," he said.

British Gas shares fell sharply on the news, closing down 17p at 272p. However, analysis said that Mr Brown's dividend warning had the greater impact.

Mr Brown said BG was already being forced by the regulator to yield market share to new suppliers and was

incurring heavy costs in living off the transportation network.

Ms Spottiswoode said she believed the formula struck a good balance between the interests of BG's shareholders and those of gas consumers.

She said that although the formula would only give BG a rate of return at the lower end of the 4 per cent to 4.5 per cent range recommended by the MMC, it allowed a higher return on new investment.

This gave BG an incentive to invest in the pipeline system, she said.

The formula will run to March 1997, the deadline set by the government for full competition in gas supply. After that a longer term price regime

would be put in place.

Mr Philip Rogerson, BG's finance director who is responsible for the new transportation unit, said the price controls would make it hard to justify the £900m annual investment which BG had budgeted for it.

The formula was also attacked by independent gas suppliers as too lenient. Mr Peter Bryant, vice-chairman of United Gas, said: "British Gas have got what it wanted." Under the formula BG would still earn £3.5bn in annual revenues, in line with the company's submissions to the regulator, he said.

The proposal is out for consultation until July 31.

Bank chief holds out prospect of higher rates

By Peter Norman

Mr Eddie George, governor of the Bank of England, last night held out the prospect of higher interest rates in Britain, although he left unclear when they would be necessary.

Addressing bankers and merchants at the Mansion House in the City, he said the present framework for UK monetary policy gave a better chance of achieving price stability in the medium term than at any time in his professional lifetime.

But the testing time for the structure put in place since sterling's departure from the European exchange rate mechanism in 1992 "will come" as it must inevitably come sooner or later "when we need to raise interest rates in order to moderate the pace of expansion and pre-empt the emergence of associated cost price pressures", he said.

Mr George said a rate rise might still be some way off, but hoped that "whatever it comes" it will "be regarded as a considered response to the underlying strength of the economy, and to the prospect of inflation in the medium term and not as evidence of weakness, in simple knee-jerk reaction to the latest set of erratic economic data".

Lord Alexander QC, chairman of National Westminster Bank, said yesterday.

The failure of recent high profile cases such as the second Guinness prosecution, the year-long Blue Arrow trial and the case against Mr Roger Levitt, had "given rise to a sceptical view about City trials".

"Over-complexity" lay at the heart of all the recent failed high-profile cases. The solution was to make City regulators "the principal judges of market abuse".

Lord Alexander said the UK should adopt the US practice whereby insider dealing could be dealt with both under the criminal law and as an "administrative offence".

"There is no doubt that it is easier to present a case simply to City regulators who have the background of market knowledge and such regulators can inevitably know more easily than a jury when specious expertise is being dragged in to obscure the truth," he said.

City regulators must be put in the front line of the battle against "white-collar" crime to prevent further damage to London's standing as a financial centre, according to a report by the Institute for Metropolitan Studies, a research group, writes Vanessa Houlder.

The report, based on interviews with 40 senior executives of banks, insurance companies and other financial institutions, stressed London's strengths in attracting financial services companies.

These strengths are predominately because of its geographical position bridging Tokyo and New York, its language, which is accepted as the language of international financial business, and English law, which is widely used for international banking contracts.

However, "The real risk is that London throws away its position by failing to recognise, nurture and sustain the many things that have made the metropolis one of the world's great financial centres on which our national prosperity depends," it says.

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Minister admits he acted in rail dispute

By Robert Taylor, Kevin Brown and Stewart Darby

Mr John MacGregor, transport secretary, admitted yesterday he had intervened in the rail dispute to warn Railtrack management not to breach the government's public sector pay bill freeze.

Mr MacGregor's admission, which came as the rail network was paralysed by the 24-hour strike, followed the withdrawal earlier this week of a negotiating "proposal" by Railtrack to pay its signalling staff a 5.7 per cent rise.

He said he had told Railtrack, the new public sector company responsible for railway infrastructure, of "the general government position" on pay within the past few days.

Mr Frank Dobson, Labour's transport spokesman, said Mr MacGregor's comments showed the rail strike was "entirely the fault of the government and nobody else".

Although the rail network was at a virtual standstill yesterday, the road chaos that had been predicted failed to materialise as thousands of commuters stayed at home to enjoy the sunshine.

Negotiations are expected over the next few days to try to prevent a second 24-hour stoppage by the railway signal staff next Wednesday.

Both Mr Bob Horton, Railtrack chairman and Mr Jimmy Knapp, general secretary of the RMT rail union, said they hoped talks could continue despite further public argument over who was to blame for the dispute.

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MANAGEMENT: MARKETING AND ADVERTISING

UK must
push for
total
test ban

Ugly, yes. Embarrassing, certainly. But the widely reported feud between Maurice Saatchi, chairman of Saatchi & Saatchi, and Charlie Scott, the chief executive, is arguably just a sideshow compared with the advertising group's most pressing problem: its poor performance in the US.

Saatchi & Saatchi may be UK-based, but as a global advertising group, its most important market is the one where most of the world's biggest multi-national corporations are based – and that lies on the other side of the Atlantic.

Yet Saatchi & Saatchi Advertising, the parent company's biggest US agency, has been floundering. In spite of a buoyant US economy, it lost more business than it won last year. A 1.6 per cent decline in gross income sent it from number four to number seven position in *Advertising Age* magazine's league table of US agencies.

Worse, revenues are set to dip again this year after the loss of the important account for Heineken's hair care products at the end of 1993.

One man has already paid the price: Robert Kennedy, chief executive of Saatchi & Saatchi North America, who was forced to resign in January. Now, two more heads have rolled: those of Harvey Hoffenberg and Rich Pounder, respectively the chairman and vice-chairman of Saatchi & Saatchi Advertising's New York office, its biggest in North America.

So what is wrong with Saatchi in the US? Simple, says one rival: they just haven't been running the business properly. "The client relationships aren't good enough, the creative isn't good enough. It's what it always is: not doing it right. You lose business when you are not paying attention and you win business when you are."

Some industry observers go further, saying poor morale has been at the root of Saatchi & Saatchi Advertising's problems. One Wall Street analyst says Harvey Hoffenberg, the New York boss, was disliked by those who worked for him, though a Saatchi employee puts it less cruelly, "The trouble is, Harvey's not a very upbeat person, and in an agency, you've got to be upbeat and bubbly. That was really not happening here. People were kind of fearful."

In such a people business, such an atmosphere would clearly be unhelpful. And as the agency repeatedly failed to win new business, morale declined even further. "The lifeblood of any advertising agency is new business, whether new business from existing clients or new business from clients outside, and we were just abysmal at getting it," says a Saatchi insider.

Meanwhile, Saatchi's US execu-

Saatchi & Saatchi North America's new head has a tough task. Richard Tomkins meets Bill Muirhead

Wanted: team spirit



Muirhead believes in promoting from within "rather than the hired gun"

tives were doing little to endear themselves to an increasingly cost-conscious parent company with their unusually large salaries. Kennedy was getting \$800,000 (533,333) a year plus perks and bonuses, and Hoffenberg was hardly worse off with basic pay of \$700,000 a year. "They were ridiculously overpaid – outrageously so," says a rival agency.

The new head of Saatchi & Saatchi North America is Bill Muirhead, a highly regarded Saatchi veteran who has been parachuted into New

York from his previous job in London as head of Saatchi & Saatchi Europe. He acknowledges that morale has been low.

"The agency is really an amalgamation of two long-established American agencies, Dancer Fitzgerald Sample and Compton Communications," he says.

"When I arrived here I found a situation not dissimilar to the one I found at British Airways [a Saatchi & Saatchi client] when I started working on that in 1982.

"On the outside it was British

and on the inside it was German," says Muirhead. "People have been split up: they've tended to work in isolation from each other. There's been no vision for the company, no real focus. Those are the things I've got to put right."

Airways but on the inside it was still BOAC and BEA [BA's forerunners]. The two cultures had never been brought together."

At Saatchi & Saatchi Advertising, Muirhead says, the result is that people haven't been working as a team. "People have been split up: they've tended to work in isolation from each other. There's been no vision for the company, no real focus. Those are the things I've got to put right."

Muirhead believes one way of building team spirit is to promote from within, "rather than the mercenary, hired gun thing" so that the people running the company have all grown up with it. He did that in London, he says.

"We will bring in some fresh blood as we go forward, but there

are a lot of very good people here – probably a lot of people that are better than the people I had in London. It's just that they haven't been focused on the right things and haven't been properly motivated."

Muirhead seems to regard the London operation as a model for New York. "What we have there is a successful agency producing terrific work that is a fun place to be; so if we could replicate what we have there, that would be great."

That kind of talk has irritated some in the US advertising industry, who resent the implication that the British know better. Some Saatchi people in the US are also said to be unhappy about the "British invasion" of their ranks, represented not just by Muirhead's arrival in New York but by the appointment of several British people at Becker Spielvogel Bates, Saatchi & Saatchi's other US advertising agency.

Muirhead says this is nonsense: nationality is irrelevant. And anyway, he's Australian.

In any event, the people he has just appointed to become chief executive of the New York office and to sort out the creative department are both from other parts of the US operation – respectively, Michael Jeary, previously chief executive in San Francisco, and Stanley Becker, chief creative officer at Saatchi & Saatchi DFS/Pacific in Los Angeles.

The top executive of a rival agency says it is clearly not ideal that Muirhead comes from outside the US. "Putting UK-experienced people in there to sort things out is obviously more difficult than if you put a native in there. But Muirhead's a talented guy. If anybody can put it right, he can."

For Saatchi & Saatchi's sake, he had better be right. As Muirhead himself acknowledges: "More than 60 per cent of the world's multi-national advertisers are based here, in North America. If we cannot expand here, then whatever we do in Europe will be irrelevant."

'General' Goehtz off to NatWest

National Westminster Bank has captured Hans Goehtz, one of Deutsche Bank's 15 "generals" and head of its global foreign exchange, money markets and precious metals division since 1980. At NatWest Markets he will be responsible for all continental European treasury activities.

As a "Direktor mit Generalvollmacht", Goehtz was just one rung below Deutsche's hallowed "Vorstand" or management board and stood a fair chance of being a candidate if a board vacancy arose.

However, rumour has it that Goehtz, 45, decided to look elsewhere when it became clear that another "general", Bernd-Albrecht von Maltzahn, the head of Deutsche's securities sales and trading, was likely to gain the upper hand when their two trading areas were consolidated into one large group. Maltzahn took up his position last year when Barthold von Ribbentrop left to set up an investment fund.

Based in Frankfurt, Goehtz will develop NatWest's local capacity as well as oversee the large dealing volume which flows into London from the dealing rooms in Madrid, Milan and Frankfurt. He will report to Paul Winchster, regional director for UK and European treasury.

Chairmen are changing at the top of Scotland's biggest investment trust. Ivor Guild, 70, a Scottish solicitor who has chaired the 105-year-old Edinburgh Investment Trust for 20 years, retires this month and hands over to the Earl of Eglington and Winton.

Old Etonian Archie Eglinton, 54, whose family motto is "we take care", started his City career with stockbrokers Grimeson Grant before moving to Gerrard & National, a City discount house, where he was a director for over 20 years.

He retired last year but remains chairman of Gerrard & National's stockbroking subsidiary Gerrard Vivian Gray. He is a director of several other trusts in the Dundee Fund Managers stable and is also a director of DFM Holdings, which is parent of Dundee Fund Managers and one of the biggest investments in Edinburgh Investment Trust's portfolio.

Peter Dunn, 70, and Lord Nickson, 64, are retiring after the agm on June 23.

Financial Times Conference Organisation

Roots versus lifestyle in a changing country

Joel Kibazo considers the nature and direction of advertising in the new South Africa



"I believe when you know what you're saying you don't have to shout."

"Free at last, free at last, thank God almighty we are free at last," thundered a recent commercial on South African Television. It showed the flags and dates when various African countries gained independence before arriving at South Africa in 1994. It closed with a black man in the speaker's chair in parliament with a voice quoting Martin Luther King's now famous phrase, also used by president Nelson Mandela in his victory speech.

The commercial was for Sales House, a clothes retail chain, and the campaign was by Ogilvy & Mather Righford, the country's biggest agency. But far from being seen as a celebration of the new South Africa, the campaign was condemned by some leading figures in South Africa's advertising industry as a throwback to apartheid.

Made to the spirit of "black consciousness" and "black pride", the advertisement followed on from two others in the series, one with a strident black "man of Africa" and another showing a confident and assertive "woman of Africa".

"Times may be changing but I regard these advertisements as white people pretending to understand the black African psyche," says Peter Vundla, a former employee of O&M and now managing director of Herdboy, South Africa's first black agency.

"It's a romantic view that does not speak to us. They may be aimed at black shoppers but frankly we see them as a joke."

Controversy over the Sales House campaign reflects a wider debate on the nature and direction of advertising in the new South Africa. For years, the country's agencies concentrated on communicating with the white community which makes up around 14 per cent of the population.

Sophisticated campaigns for everything from cars to mass consumer products were mainly in English and Afrikaans. There was little to show a black population existed in the same country or indeed, that blacks

were consumers. Those wishing to reach a cross section of the population generally ran separate campaigns: racial mixing in a commercial was rare.

Change began in the late 1970s, with a growing awareness and recognition of the rising black urban population and its increasing consumption of products once seen as the preserve of whites. The process was helped by pioneering multi-racial advertisements from South African Breweries to the 1980s and gathered pace with the political changes of 1990s.

Today, there are those who argue that advertising, for so long dominated by one race, should move from being "Euro-centric", that is, made by and from a white person's point of view to "Afro-centric", taking on the values and perspective of the black South African.

Nearly 60 per cent of Sales House customers are black and O&M has been in charge of its campaigns since 1986. However, the more strident black pride campaign has only been running for three years.

Explaining his departure from O&M, he says: "I think this is where agencies like ours can make a difference. We know our people and how to communicate to them irrespective of economic level, yet we are not offering an inferior service. We use first world methodology to target what is, after all, a third world market."

"we've tried to bring this out." He points to requests to run the same advertisements in the US as proof of the success in reaching black people.

But Reg Lascaris, managing director of Hunt Lascaris, which ran the successful ANC election campaign, counters: "Black consumers don't want to be seen as 'man of Africa'." He advocates the use of marketing bands, based on occupation and education.

"What matters is a person's level of sophistication. Whether they are black or white does not matter. It did in the past, but not now."

Vundla suggests that understanding black people is the single most important factor for any agency in South Africa.

"Nothing has changed. Most agencies here don't even have black people at senior level nor have people in them even ventured into a township. How can they claim they understand the black majority market and how to reach them?" he says.

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PEOPLE

EEF decides on Mackenzie



Graham Mackenzie

The Engineering Employers Federation has appointed Graham Mackenzie director-general, finally drawing a line under the uncertainty prompted by the surprise departure of former director Neil Johnson and the possible merger with the Confederation of British Industry.

Mackenzie, who was president of the EEF for two years to April, has been acting director-general since January. The new appointment takes effect from July 1.

Johnson left the EEF at the end of November, a few weeks after Mackenzie had quit as chief executive of UES Holdings, the Rotherham-based steel and forgings group. Since then, Mackenzie has been

increasingly active at the EEF. The organisation has known since February that it would need to appoint a new director-general, since it became clear that a plan to merge its central functions with the CBI had col-

lapsed.

A more limited partnership based on a joint programme of alliance with the CBI's National Manufacturing Council will also not take place, although the EEF and CBI will continue to co-operate.

Mackenzie, 50, lacks some of Johnson's affability but is an effective and articulate communicator, and is keen to maintain and develop the EEF's profile.

Before joining UES in 1990, he worked for the TI Group from 1987 to 1989, joining as a graduate trainee and rising to become a main board director. Between 1981 and 1983, he was seconded to TI by the government's Central Policy Review Staff.

Engineering, at READICUT INTERNATIONAL.

■ Maxwell Packe (below), founder director of Household Mortgage Corporation, at CRESTACARE.

■ Sir Christopher Harding has resigned from SLOUGH ESTATES.

■ John Clay has resigned from TRADE INDEMNITY GROUP.

■ Peter Ainsworth MP at GARTMORE SHARED EQUITY TRUST.

■ David Sykes, formerly senior partner of Eversheds, Heyworth & Chadwick, and Donald McElhone, former chairman of Senior

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Pressure of work forces non-executive directors to resign

Proof that Brian Walsh's new job as vice chairman of TI Group is more than a cosmetic change of title, Walsh, who joined from GKN as TI's finance director in May 1993, is shedding his only non-executive directorship following last week's reshuffle at TI.

Walsh, 50, is resigning after less than two years on the board of the Cookson Group. Although Cookson's board only meets eight or nine times a year Walsh feels that he no longer has time to do the job properly given his new responsibilities at TI where he has assumed responsibility for the operations of the group by. He joined the Cookson board

when he was still at GKN and where he had been doing the finance director's job for several years. "My calendar is always pretty full," says Walsh, who expects it to get even busier now that he is being called to represent the company as vice-chairman. Walsh chairs Cookson's audit committee and has just returned from a four-day board trip around Cookson's US operations.

He reckons that he spends at least three days a month on Cookson business. It is understood that Cookson's non-executive directors get paid between \$15,000 and \$20,000 a year for their services.

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TECHNOLOGY

After steering a packed shopping trolley along busy supermarket aisles on a Saturday afternoon, there is yet a greater hurdle to overcome: the wait at the checkout counter. Mindful of such irritation, supermarket bosses are now considering how to cut the queues using self-service checkout counters and automated trolleys.

John Hollis, partner at Andersen Consulting, believes it is the push for better customer service and the need to beat the competition that is driving such innovations. "Anyone starting up now would use this kind of technology," he says.

Chris Hughes, managing director of the UK's Retail Automation Consultancy, is more sceptical: "The main advantage to retailers is that it will cut down labour costs."

In the Netherlands, in the Geldermalsen store of Albert Heijn, the largest Dutch supermarket chain, shoppers are now using a hand-held scanner which they attach to their trolley as they enter the store. Customers electronically read the bar-codes on their choice of goods using a scanning gun. Once shopping is complete, a bill is automatically printed out which the customer takes to the cashier in order to pay.

Although self-scanning involves extra work for customers, it does mean they can check the price of each item as it goes in the trolley and keep a running total of how much they are spending. It also eliminates the need to unload the items on to the conveyor belt and then put them back into the trolley at the checkout.

Elsewhere, much of the research effort has gone into automating the conveyor belt at the checkout so that customers scan their own goods. Retailers in Scandinavia and the US have been the most eager to install these. But they could become common throughout Europe within the next five years, particularly for scanning small numbers of items, such as sandwiches at lunchtime. "I have difficulty in seeing someone scan 120 different items from the monthly shop," says Terry Fielding, managing director of the UK's Children Retail Systems.

The basic principle of these checkouts is that the customer passes the goods over the glass plate in the conveyor belt, a job usually done by the cashier. Once the task is finished, the customer goes to the cashier to pay.

In the US, various derivations of the basic system have been tested, says Geoff Beckett, director of business development at Uniqest, supplier of software systems and services. In the Uniqest check-out, the scanned goods travel through an archway where they are mea-



Handy development: shoppers use a hand-held scanner to register prices at an Albert Heijn supermarket

The end of the queue

Automated supermarket checkouts will cut waiting time, writes Della Bradshaw in a series on electronic retailing

sured and weighed. If the weight and shape tally with the information from the scanned bar-codes, the item travels on; otherwise, it is rejected.

Uniqest has gone further by building in swipe card facilities so that goods can be paid for electronically. But the popularity of discount coupons in US stores complicated the process and this scheme has largely been abandoned.

Contrary to expectations, the self-scanning check-outs have proved particularly popular in the US with elderly people. "They are convinced that the cashiers fiddle them. Also they can take their time and can keep a continuous check on how much they are spending by looking at the sub-total," says Beckett.

The popularity of self-scanning checkouts will vary according to the location and culture of the store, believes John Poldore, director of front-end operations for Pathmark Supermarkets. It has installed Uniqest checkout systems in seven of its 150 US stores and plans to introduce a further two as part of its trial phase.

Innovation is continuous. The latest self-service checkouts incorporate scanners that can read the barcode through 360°, so that custom-

ers can place the goods in a random fashion on the belt. In a development from German manufacturer Potrafke, the goods travel on a belt through a transparent acrylic tunnel where the bar-codes are read.

The advantage to the customer, says Gerald McLucas, managing director of Potrafke in the UK, is the speed with which the goods are scanned. The advantage to the retailer is that they get "two cashiers for the price of one". Because the goods scanned have to pass through the tunnel, the system also helps to prevent shop-lifting.

The potential for higher levels of shop-lifting is still seen as an important disadvantage of self-scanning systems

they'll come to us. It will increase our customers." A second advantage is that the self-scanning system deals more effectively than traditional checkouts with any sudden rush of customers.

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ers can place the goods in a random fashion on the belt. In a development from German manufacturer Potrafke, the goods travel on a belt through a transparent acrylic tunnel where the bar-codes are read.

At Albert Heijn, customer trolleys are randomly checked to ensure that contents match the items listed on the bill. To make customers aware of the checks, they have to join a "club" before using the scanner and agree to the terms.

The club system could have further inherent benefits. "Because customers have to be pre-registered members of the club, this could be used by retailers to build customer loyalty schemes," says Hughes. He believes the membership cards issued could become the retailers' equivalent of a "gold" card.

The overriding feature of all of today's systems is that each barcode has to be read separately. "In 15 years' time, there probably won't be any cashiers," says Fielding. "If bar-codes could be read electronically, you could swipe a bank card at the beginning, push the filled trolley through a loop and your bank account would automatically be debited."

Earlier this year, the South African Council for Scientific and Industrial Research in conjunction with the British Technology Group announced that it had developed SuperTag, where each item of shopping would be labelled with a tag emitting a radio signal. Once the customer finishes shopping, the trolley is pushed through a gate - similar to the X-ray machine at an airport - which "reads" each signal. All the items in a full trolley of shopping could be individually identified in seconds.

Today the high price of the tags - about \$50 each - precludes their use on packets of tea or tins of baked beans. But, says Peter Hawkes, assistant director of electronics at BTG, within the next two years, the tags could be used to secure high value items such as leather jackets.

He believes that as more applications for the SuperTag emerge, and costs drop, the technology will appear in food stores, starting with discount warehouses, "where they also helps to prevent shop-lifting."

The potential for higher levels of shop-lifting is still seen as an important disadvantage of self-scanning systems. But the emphasis on security varies from country to country, says William Wood-Robertson, marketing manager with German manufacturer ADS Anker. "The Americans are enthusiastic about the technology even though they have a relatively high crime rate."

John Pellaumail, director of customer products for the international arm of Symbol Technologies of the US, which developed the Albert

Simple idea, big savings

Michael Dempsey on the success of EMC's electronic filing cabinets

The mother of an executive with EMC, the US data storage company, has problems understanding what her son's company does. He explains the \$762m (£521m) turnover operation succinctly. "We make electronic filing cabinets." At \$4.1m a throw, this is a gross simplification. But EMC's rise to eminence in a \$5bn market still largely an IBM follower much to simple ideas.

Disk arrays are the storage component of mainframe computer systems. Traditionally, the information these large machines handle has been held on disks resembling long-playing records. EMC moved to smaller 5.25-inch disks similar to the hard disk inside a personal computer. This meant a massive reduction in space, and hence the heat generated by the storage system. Ventilation bills plummeted.

EMC's latest top-of-the-range model stores one terabyte (1,000 gigabytes) of information - the equivalent of 40,000 four-drawer filing cabinets or 10,000 standard desktop PCs. In the previous generation of disk systems, a terabyte took up 400 sq ft. The IBM disk storage system holding this much data occupies as much space as a two-car garage. The EMC model, looking like a three-door wardrobe filled with shelves of computer disks, occupies 17 sq ft.

Mike Ruetgers, head of EMC since 1989, claims that a US customer switching to EMC from IBM will save \$1m over five years in maintenance, cooling, power and floor space.

In the UK, the information technology arm of British Steel, CMS, has replaced its IBM data storage products with four EMC units. The last EMC unit cost £300,000, but is expected to save CMS £112,000 in electricity and air conditioning bills over the next four years.

Squeezing more data into less space for a lower cost is the perpetual rallying cry of the IT industry. EMC knows its doubling of turnover between 1992 and 1994 cannot be maintained, but the demand for economical mass storage is there in abundance.



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you can already use your D1 phonecard in many European countries. And, of course, you yourself can always be contacted in those countries under your personal D1 phone number. But it doesn't matter in which of these countries you find yourself, or in which GSM-compatible system you insert your D1 card, you'll always benefit from the fact that Telekom has put all its wide-ranging expertise and its comprehensive mobile communications know-how into the development of GSM. Telecommunications made in Germany.



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Telekom

ARTS

Cinema/Nigel Andrews

Cadenzas of eccentricity

Here is your culture question for the week. What do Hannibal Lecter and the Voyager spacecraft have in common?

Correct: Canadian pianist Glenn Gould. His classical recordings, as well as being sent into space by NASA in 1977 as a greeting gift to other life-forms, were included by Dr Lecter as part of his consultancy fee when helping the FBI with their serial murder inquiries.

Now François Girod's wonderful, absurd, rhapsodic *32 Short Films About Glenn Gould* actually one 90-minute-long feature structured (vaguely) after the Goldberg Variations, continues the post-humanist definition of the bizarre ivory-pounder. Gould, as you know, was born in Toronto in 1932, became a public prodigy at age 12, withdrew from the concert platform in 1964, and spent his last 18 years (death, 1982) battling hypochondria and

Then things get better. Through voice-off narration and dramatised cameos, we watch the grown-up Gould practise the increasingly fiendish cadenzas of his own eccentricity.

In one scene he holds hostage a hotel chambermaid while playing her his records. In another, two recording technicians discuss, with earnest triviality, the evils of cream in coffee while the soundless Gould mimes berserkly to playback behind the studio glass. (The two worlds of mind and matter willfully collided.) And briefly too, Yehudi Menuhin and Gould's cousin Jessie appear to probe or pixilate the legend.

Devoid of solemnity yet never shallow, the film delivers a portrait in the round – or at least the polygonal – that renders most other art documentaries obsolete. Pure gold; and quite possibly pure Gould.

I identify strongly with the title of *Lost in Yonkers*, based on Neil Simon's latest play. Simon's recent work has reached that perilous and dangerous state – uncritical mass – when it seems that any combination of notionally surefire ingredients, however amorphous, will do. They include: Brooklyn growing-up anecdotes; wistful Jewish jokes; play-off between mad grown-ups and bright-eyed kids; and one plump juicy role (in the screen version at least) for either Richard Dreyfuss or Anne Bancroft.

Here we get Dreyfuss. He plays the gangster son of German-immigrant Goragon Irene Worth, who terrorises her visiting grandsons and her emotionally backward daughter (Mercedes Ruehl). It is all about as funny as *King Lear* performed by a broom cupboard by a group of over-eager drama students; which may explain why the play won a Pulitzer Prize. Martha Coolidge directs.

She also directs, more noticeably, *Angie*. If I précis'd the plot of this comedy-with-tears, you would suppose that it was part of the Great Feminist Conspiracy. We have a Brooklyn-Italian heroine (Geena Davis) betrayed or disappointed by the men in her life (immy working-class fiancé James Gandolfini, perfidious Irish lover Stephen Rea). And we are forced-marched through such girl's-dorm scenes as vibrators, pregnancy tests, menstrual minutiae; not to mention jokes about nuns and penises shared in the women's washroom at work.

This all happens in the first four acts of Todd Graff's script based on a novel by Aya Wing and they are exhilarating. Far from feeling stunned by falling freemasonry, we are amazed that in the boy's club of world cinema these matters still are such secrets. Geena Davis, with her voluptuous red-tail figure, scatty charm



Inspired cod-seriousness: Colm Feore as the genius pianist in '32 Short Films About Glenn Gould'

and baby-face sex appeal, should surely vanquish any last flicker of male chauvinist resistance in any audience.

Then, alas, we get the fifth act. Here portentousness takes over, as if the Hollywood Cléché Patriarchy has decided that enough is enough in the fresh ideas division. A long-lost mother (schizophrenic); a dash for reconciliation with father and stepmother; and a piano upended over the soundtrack to accompany the post-natal heroine's cooling valediction. "I'm finally more of something bigger than me."

More love and wistfulness in *Reality Bites*. This bills itself as "a comedy about love in the 90s". But I live in this decade and do not recognise any of these people. Not the camcorder-wielding kook with the million-dollar complexion and dreams of being a great documentarist (Winona Ryder); nor the bearded boy she loves (Ethan Hawke) with the poetic temperament and death-defying vocabulary; nor

the well-meaning, white-collar, cardboardy rivel, played by the film's director Ben Stiller...

Are we sure that Stiller and writer Helen Childress do not have their digits upside-down and mean the 80s? For a while the dialogue is brisk enough to carry us over the bimbs in the film's sense of *zaïpzis*. "I guess I'm a non-practising Jew," says the whiz-kid, to which Ryder trills back, "Hey, I'm a non-practising virgin."

But then no one real talks in aphorisms all the time. And surely a film whose moral hobby-horse is the dangers of selling out – our heroine's epic home video is bought by a TV network which turns it into a snappy Pizza Hut commercial – should have gone easier on the product placing. We have never seen so many drink cans and bottles waved about with their labels aimed at the camera lens.

Finally, idiot's corner. *The Chase* (15,

director Adam Rifkin) is a comedy/road movie that we recommend only to fully-qualified simpletons. Robber Charlie Sheen eludes the law over many tyre-burns, driving miles, during which he destroys pursuing cop cars and makes love, while driving, to his beautiful hostage Kristy Swanson. Do not try this in your own car, even during the long hours of a rail strike.

Hercules Returns (15, David Parker) is better. A skinny framing plot about three Sydney friends re-opening a derelict cinema is the excuse for a riotous film-within-a-film. Their gala opening movie is a (real) 1960s Italian Hercules epic, dubbed on by the Aussie threesome much as Woody Allen ventriloquised *What's Up Tiger Lily*. Warm to the bodybuilder stars sounding like a group of goosed Julian Clarys, and to moments like that in which the sacred red smoke billows forth from the Delphic shrine: "Jesus, the Ribena looks a bit hot."

Ballet

Alston at Aldeburgh

The concert hall stage at The Maltings, Snape, is a fine space, deep, uncompromising in its bare brick walls. It has just seen the emergence of a re-born London Contemporary Dance Theatre under the direction of Richard Alston. Admirers of the company, and of Alston, will be glad to know that the dancers are on tremendous form and that Alston has baptised them, as he has the Maltings in *nomine Terpsichore*, with three serious pieces, which I saw on Monday.

LCDT's ensemble is slimmed down to 12 dancers – most of its major artists are still there – and Alston has responded bravely to their gifts, and to the possibilities of the stage. Britten, given the Aldeburgh festival context, was an obvious choice for music, and this year's featured composer, Stravinsky, has provided the other score. So, the opening *Three movements from Petrushka* for piano, and Alston's intriguing gloss on Fokine.

The piano is centre stage. Rolf Hind's bold account (rich sonorities, taut rhythms) of this devilish transcription is matched by Darshan Singh Bhuller's impersonation of the puppet. In an odd fashion we seem to watch two Petrushkas, so intense the relationship between transcendental pianism and the ferocious demands Alston makes of Bhuller. (At a couple of moments, Bhuller stands watching Hind, as if contemplating an alter ego.)

Four couples – white shirts; black trousers – are the Butterweek revellers, their movements blinding at Fokine's folk dances as they circle the stage and the piano which acquires a strongly dramatic presence. But the piece is Bhuller's and he shows a brutalised and somehow noble figure, in dancing that covers a range of dynamics from silkdest postures to fierce anguish. It is a superb display of expressive virtuosity.

In *Sad Eyes*, Alston has linked two Britten scores. The *Prelude and fugue*, Op 29, written for Boyd Neel, is used for plotless, open-hearted dances for four couples. The movement is fresh, broad-spanning, unclouded. (Pleasure in viewing it will increase when the mock-Indian outfits look less like uniforms.) Then, with the *Lacrymae* Op. 48, for viola and orchestra, inspired by a Dowland song, the mood changes as eyes sadden, seeking the rest that Dowland's text urges.

The dancing couples are unhappy lovers, and at the last Alston allows them that repose which is the acceptance of suffering. The choreography is emotional, dense, subtly varied, and though I think the score a fraction too long, the dance is shaped and performed beautifully.

The final piece was *Rumours, Visions*, which is *Les Illuminations* (Britten's setting of Rimbaud) staged with brilliant economy of means. The excellent lighting, and gauzy back drop used throughout the evening, was by Peter Mumford. Costuming, ideally allusive in this last piece, was by Belinda Ackerman. Alston conflates Rimbaud's poetic imagery and his fraught relationship with Verlaine. Friedrich Gehrig has the right mixture of vulnerability and wildness for Rimbaud; Kenneth Tharp's Verlaine is brooding, watchful. Around them Alston cunningly sets the strange hub of Rimbaud's dreams, that wild parade which is announced in the first song.

Among the several merits of the staging is the fact that it allows our imaginations to follow those of Britten and Rimbaud: Alston's dances are hints rather than statements. The drawback to the performance lay in an orchestral imbalance: after the invocation "Jai sei la clef de cette parade savante", I heard not one word of Gunnar Gudbjornsson's account of the tenor role. The score, from the Britten Sinfonia under Nicholas Cleobury, was otherwise excellent, as were the interpretations of the *Sad Eyes* music.

Clement Crisp

A high risk policy at the Zurich Opera House

The headlines said it all. "The world's hardest-working musical theatre", trumpeted one Zurich newspaper. "Operatic recipe for success", exclaimed another. What prompted the applause was a recent announcement that the Zurich Opera House would stage no less than 13 new productions and 21 revivals next season. At the best of times, most companies notch up only half that number.

While theatres in France and Germany curtail activities because of the recession, Zurich has increased its workload. And instead of playing safe with box-office favourites, it is hauling out of obscurity operas only Wexford Festival devotees are likely to have heard. Mascagni's *L'amico Fritz*, Giordano's *La cena delle beffe*, Donizetti's *Linda di Chiamonte*, Schubert's *Des Teufels Lustschloss* – all will join the Zurich repertory in coming months.

Alexander Pereira, the Opera House director, admits it is a high-risk policy. He believes he can pull it off by engaging big-name singers and balancing the rarities with frequent revivals of *Carmen*, *Tosca* and *Don Giovanni*. "If the mixture is right, people will come," says Pereira. "A theatre has to bring out new things –

otherwise it stagnates. As long as you give the impression you're trying to do it well, the public will remain inquisitive."

Zurich's operatic image has changed since Pereira arrived from Vienna three years ago. He inherited a company with a deficit, low morale and declining popularity. Today it is solvent and the talk of the town. Drawing on experience from his earlier career with Olivetti and Vienna's Kon-

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You have to invest in your theatre – you must make it so attractive that people cannot stay away."

Such talk does not hide the fact that Pereira is taking an enormous gamble. With *Fedora* and *Andrea Chénier* already in the repertory, does the Zurich public really want to see a third Giordano opera? Will audiences flock to *Linda di Chiamonte* if Gruberova cancels? Is there room in

the well-sounding, Members of the ensemble say the rapid turnover of new productions leaves no time to recharge creative batteries. Some are already questioning the wisdom of Welser-Möst's appointment: he has little operatic experience and an unimpressive record as chief conductor of the London Philharmonic.

Critics have accused Pereira of down-playing the achievements of his predecessors, from whom he inherited a stock of easy-to-revive mainstream productions. Apart from Henze's *Der Prinz von Homburg*, in a staging borrowed from Munich, there has been nothing this season to match the pinnacles of the 1980s. Francisco Araiza made a puny *Chénier*. *Alcina* was undercast and *La belle Hélène* revealed the Viennese director-Helmut Lohner as an operatic ingénue. There was no prelude to a prelude of Italian repertoire and a dearth of 20th century works.

"Pereira only likes the pieces he can sing along with", comments a senior member of the ensemble rather unkindly. "But he's a professional manager, he's clever, he knows how to get the money. That is what's needed today. His predecessors may have had better artistic judgment. Pereira knows how to sell himself."

As Franz Welser-Möst prepares to leave the London Philharmonic Orchestra for Switzerland, Andrew Clark considers the controversial approach of director Alexander Pereira

zurthaus. Pereira launched a high-profile marketing campaign. He brought in trend-setters and pandered to the thirst for stars. He laid on special projects for Nikolaus Harnoncourt, Edita Gruberova, and other Zurich regulars. He persuaded ageing divas like Grace Bumbry to tackle new and unusual roles, helping them to prolong their careers. And yesterday, amid much fanfare, he announced the appointment of Franz Welser-Möst as chief conductor, starting in 1995.

operetta *La reginetta delle rose* runs till June 28 in a production conducted by Gianandrea Gavazzeni and staged by Filippo Crivelli, with cast headed by Edita Gruberova and Luca Canonici. The next performances are tonight and Sun afternoon (010-589329)

LONDON

● *Sweet Bird of Youth*: Richard Eyre directs the National's new production of Tennessee Williams' 1958 drama about a Hollywood drifter who returns to his hometown to encounter the verged father of a girl he once seduced. Cast includes Clare Higgins and Richard Pasco. Opens tonight in the Lyttelton (National 071-928 2252)

● *Home*: Paul Eddington and Richard Briers head the cast in a revival of David Storey's 1970 play, directed by David Leveaux. Four elderly people chat together in a sunny garden which is only gradually revealed as a lunatic asylum. Now in previews, opens on Tues (Wyndham's 071-369 1736)

● *Glencarry Glen Ross*: Sam Mendes directs David Mamet's 1983 all-male classic about real-estate salesmen whose insecure egos thrive or perish in the claustrophobic atmosphere of a downtown office. Preview starts tonight, opens next Wed (Donmar Warehouse 071-877 1150)

● *The Cryptogram*: world premiere of David Mamet's new play about the relationship between a woman, her child and a male visitor. Stand-up comedian Eddie Izzard makes his serious acting debut alongside Lindsay Duncan. Now

in previews, opens June 29 (Ambassadors 071-838 6111) ● *The Queen*: Ian Firth plays the Queen in Sue Townsend's stage version of her bestselling novel, which places the Royal Family on a housing estate. Max Stafford-Clark directs (Royal Court 071-730 1745)

● *King Lear*: Robert Stephens plays Lear in a transfer from Stratford. Of Adrien Noble's acclaimed 1993 production (Barbican 071-838 8891)

● *Dead Funny*: Terry Johnson's hilarious, rude and emotionally shattering play about dead comedians, sex therapy and childlessness. Zoe Wanamaker heads an excellent cast (Vaudeville 071-838 9987)

● *Arcadia*: Tom Stoppard's

complex but often funny drama is

enjoying a West End run in Trevor Nunn's National Theatre production (Haymarket 071-930 8800)

● *Adriana Lecouvreur*: dir: disappointing houses. Subscribers – 10,000 of whom buy their tickets before the start of each season – have complained they do not always get the promised stars for which they paid one season for two new productions by the idiosyncratic east German director, Ruth Berghaus?

There are already signs that the novelty

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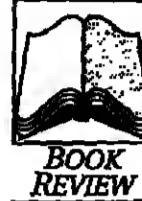
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Aspirin offered for a chronic illness



Nowhere is the short-termism which plagues British economic management so well illustrated as in monetary policy. Global

BRITAIN'S ECONOMIC PERFORMANCE
Edited by Tony Buxton, Paul Chapman, Paul Temple
Routledge, 438 pages, £50 hardback, £15.99 paperback

fixed exchange rates, domestic monetary targets, membership of the European exchange rate mechanism - all have been hailed as the cure for Britain's inflationary tendencies, and then discarded when they have been seen to fail.

The problem is not that the relationship between the Bank of England and the government is unimportant - the international evidence suggests it is. Neither is it that the choice between alternative nominal targets is trivial - more damage has been done over the past 15 years in pursuit of unobtainable targets than by any other economic policy action.

The underlying trouble with British economic policymaking has instead been to focus on a symptom - inflation - rather than structural economic weaknesses, and to rely too much on monetary policy alone to provide a cure.

That is the underlying message of *Britain's Economic Performance*. Its long-term focus comes as no surprise, for the authors were all economists or consultants to the National Economic Development Office, a government agency set up in the 1960s to analyse the reasons for the UK's relatively poor economic performance and to encourage dialogue and co-operation between employers, the government and trade unions.

Prominent in the 1970s, the corporatist consensual style of government which Nedo embodied went out of fashion under the then Mrs Margaret Thatcher, although it took until 1992 - after her departure - for the organisation finally to be abolished. This volume brings together the work in progress of Nedo's staff at the time of its demise, plus contributions from prominent ex-employees and some reflections on the organisation's work.

It surveys, over 18 chapters, the recent performance of the UK economy across trade, investment, finance, labour

and technology. And, as one would expect from former Nedo staff, it strikes a balance between impressive statistical analysis and information, and institutional detail and colour.

Not all the contributions get the balance right - the chapters on the relationship between industry and the City are too theoretical. Others are written in a turgid style, suggesting too many hours sitting in Nedo council meetings. Overall, the book tends to become rather bogged down in analysis at the expense of clarity of conclusion.

A powerful argument shines through, nonetheless: decades of under-investment in productive capacity, in education and skills, and in research and development lie at the heart of both Britain's poor growth and employment performance, and its inflationary ills.

The response of government in the face of the accumulating evidence has, the book suggests, been piecemeal and inadequate. The book's underlying message is that economic policy has been driven by ideology and short-term vested interest, rather than long-term strategic sense.

Its most important theme concerns the relationship between inflation and supply-side weaknesses. The authors do not underestimate the significance of stable demand or the damage done by the UK's boom-bust cycle.

They locate the source of macroeconomic failures not simply in errors of judgment at the Treasury or Bank of England, but in supply-side obstacles to sustained growth - shortage of productive capacity and of skilled labour. It would be easy, but mistaken, argue Paul Chapman and Paul Temple, to claim that the twin problems of inflation and the balance of payments deficit in the late 1980s were simply caused by excessive growth of nominal demand.

Instead, they say, the true source of inflationary pressure

was not wage inflation or a loose monetary policy, but the fall in economy-wide productivity growth, which began to push up unit cost alongside growing skills shortages in 1986, well before wages accelerated. Rates fell to their 1988 lows. By failing to deliver productivity and export growth to match the aspirations of the population for rising living standards and imports, these supply-side weaknesses sowed the seeds of the inflationary troubles that followed.

For the late 1980s, now read mid-1990s, contemporary economic debate and policymaking, they argue, remains too short-termist and shallow, and overly concerned with monetary policymaking.

Yet even with a sluggish recovery and high unemployment, the inability of the British economy to grow without sucking in imports and hitting capacity bottlenecks is already starting to show. Survey evidence points to rising skills shortages; import volumes have outstripped export growth throughout the recession; and private investment has barely begun to offset the lost physical capacity over the course of the recession. Add in the projected slowdown in productivity growth over the next year, the impact of rising taxes on disposable incomes and the government's need to court popularity, and the early signs of another inflationary cycle emerge.

In short, it is the underlying weaknesses of the UK economy, not simply monetary policy mistakes, that lie at the heart of Britain's recurrent boom-bust cycles. The risk is that the present recovery will soon be choked off by rising skills shortages, wage inflation and capacity bottlenecks. This means supply-side policies to boost productivity growth are as important for anti-inflationary credibility as the relationship between the governor of the Bank of England and the chancellor. That would, it seems, have been Nedo's view.

Edward Balls

The reviewer is economic adviser to Gordon Brown, the UK shadow chancellor

The above is a quotation not from some maverick, but from the keynote paper by Professor Charles Goodhart and co-authors (*The Development of Central Banking*) at last week's Bank of England bicentenary seminar. The argument is about whether banking requires more regulation than any other industry. It helps to follow the argument if we make a clear distinction between "currency", namely notes and coins plus bankers' reserves with the central banks, and "money", which is a much wider concept including bank deposits and any other instruments used for settling debts. (Currency is also pretty close to the monetarists' idea of "base money".)

The issue goes back to a division among the founding fathers of economics about the inflationary effects of banking. David Hume, who promulgated the Quantity Theory, regarded currency as consisting essentially of gold or other precious metals. He explained how a doubling of the amount of gold in Britain would lead first to a rise in prices and then to a redistribution of the new gold throughout the rest of the world. He regarded man-made substitutes, whether bank notes or deposits, as essentially counterfeit gold.

Adam Smith disagreed on

the last point. His view, which may be called the "classical" one, was that price stability depended on the convertibility of notes into precious metals. The classical school argued that banks could not issue credit indefinitely as the public had to be persuaded to accept the notes and deposits they thereby created. Banks would not only have to acquire a reputation for caution but offer interest, at least on deposits. So the multiplication of man-made money would come to an end where the extra interest from advancing credit was balanced by the extra interest that had to be paid to depositors as well as other banking costs.

There are some factual observations which tell in favour of the classical school.

ECONOMIC VIEWPOINT

Free bankers and gold bugs

By Samuel Brittan



The chief monument to the

Quantity Theory (then called

"currency school"), was Robert

Peel's Bank Charter Act of

1844. This tried to stop the

multiplication of bank money by

giving the Bank of England a

monopoly of the note issue, the

size of which was tied to its

gold stock. The authors of the

Act did not realise that deposi-

its would become far more

important than notes; and the

Act did not prevent a vast

increase in the effective money

supply erected on a small gold

base. There were no long-term

inflationary or deflationary

developments, while the pound

remained convertible into gold.

In our own day central banks

have tried to limit the creation

of deposit money, and critics

have often scoffed that their

efforts are dwarfed by the mul-

tiplication of deposits in the

Euro markets and general

innovation and globalisation.

Yet none of these hyped-up

forces has prevented central

banks from curbing inflation

once they had developed the

courage to raise interest rates

enough to do so, first in the

1980s and then in the 1990s.

Some of the above argu-

ments are taken from David

Glasner's *Free Banking and*

Monetary Reform (Cambridge

University Press, 1989), to

which I alluded in *Economic*

Viewpoint last week. This book

comes to grips with problems

that many other free banking

unfamiliar units. Thus, even at

high rates of inflation, private

enterprise suppliers of money

are more likely to compete by

paying interest rates containing

an inflation premium. Glasner's

argument is that we

already have competitive

money but that the state still

has a function in defining an

inflation-proof monetary unit.

What then would a moderate

free banker, like Glasner, now

advocate? He does not seem to

regard the central bank

monopoly of the note issue, or

even the legal tender laws, as

important enough to crusade

against. Nor does he insist on

the immediate abolition of all

central banks.

His big criticism is of compul-

sory state-guaranteed

deposit insurance. The fate of

the US Savings and Loans

institutions, which had to be

rescued at the cost of the

American taxpayer, gives him

all the ammunition he needs.

Such guarantees create a prob-

lem of moral hazard, as bank-

ing institutions feel safer about

engaging in reckless lending.

The argument does not stop here. There is an implicit, if imperfect, understanding that central banks will not allow commercial banks that are household names to fail. The lender of last resort function consists today of deliberately ill-defined guarantees in return for acceptance of detailed supervision. It is this that gives central bankers the air of very important people who need to be engaged, not just with monetary policy, but with the highest figures in private finance. Without going so far as to abolish these responsibilities overnight, New Zealand's proposals for a switch of emphasis from supervision to disclosure is surely the direction in which to go.

An implication is that ordinary citizens and small businesses not wishing to take a view on financial markets would be well advised to place their ready cash in low-interest deposits backed by virtually risk-free assets, such as short-term government paper.

Glasner departs from some other free bankers in accepting a role for the state not only in declaring a monetary unit but in supplying a currency denominated in that unit, which would preserve its real value. He joins the new and old foxes who hold that monetary stability can, in the end, only be guaranteed by convertibility into a real asset. The one asset he discusses in detail is gold.

But unlike the pure gold bugs, he recognises that gold itself can fluctuate in real value, especially as so much of the world's gold stock is in the hands of central banks. He suggests base money should be convertible into gold at a variable rate designed to stabilise the general price level. And he therefore advocates variable official gold price. If, for instance, the price of gold fails to keep up with a general inflation index, the holder of currency would receive a larger amount of gold on conversion. But if the price of gold rose by more than the general price index - that is a threat of deflation - then a smaller quantity of gold would be paid out for each currency unit exchanged.

A first inspection suggests that central bank gold stocks might be enough to give the plan a chance. IMF estimates indicate that they are worth over \$400bn. But, clearly, plans for an adjustable gold standard will need to be fully investigated before even being proposed, let alone adopted.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Concerned by banking practice

From Mr John Jackson

Sir, It is normal practice for a clearing bank to obtain a report from accountants before granting, or continuing, financing facilities for working capital to a company that is in, or emerging from, a period of financial difficulty. The accountants are instructed by the bank in terms agreed with the company, which undertakes to the bank to pay the accountants' fees for doing the work. This is unobjectionable.

However, in such circumstances, certain clearing banks may also indicate to the accountants that, in the event of a situation developing in which the power to appoint a receiver is exercised by the bank (possibly following a decision not to grant or renew facilities in the light of the accountants' report) that firm of accountants will be appointed receivers. I think this practice is objectionable.

My concern is heightened if, when the directors are successful in their negotiations, the bank calls for a further report and the accountants, to the knowledge of the bank, refuse to put in writing an acknowledgement that, in making their report to the bank, owe a duty of care to the company.

Perhaps it would benefit the business community if this area was considered by the Bank of England and the Institute of Chartered Accountants.

John Jackson,
Brown & Jackson,
21 Southampton Row,
London WC1B 5HS

Voters fed up with Westminster too?

From Mr Christopher Jackson

Sir, Kevin Brown ("PM under pressure as Tories fear disaster in Euro-poll", June 11/12) reports my friend Sir Teddy Taylor as remarking that the voters had "shown in the astonishingly low turnout for the Euro-polls that they are fed up to the teeth with Brussels".

The facts do not support him. In the Kent East seat

in which I shall also be vacating next month the Westminster

Time to join campaign

From Mr Chris Hinze

Sir, Liberal Democrats appear to have been robbed by look-alike Liberal Democrats of their seat in Devon and Plymouth East. Having seen the damage that consumer confusion can inflict, they will perhaps now join the other political parties and support the British Producers and Brand Owners Group campaign against look-alike products.

Chris Hinze,
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Sydenham, London SE26 5JB

Clarke

From Mr Vaughan Allen

FINANCIAL TIMES

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Thursday June 16 1994

Reforming US welfare

The most important aspect of the welfare reforms announced this week by President Bill Clinton is the proposed shift from a passive to an active stance. The laudable goal - likely to strike a chord with politicians in other countries - is to break the "cycle of dependency" and provide recipients with job training, counselling and childcare required if they are to become productive citizens.

Although Republicans have reservations about many of the specific measures, there is strong bipartisan support for ending the present system, both on Capitol Hill and among state governors, many of whom are introducing their own welfare reforms. There is little prospect of legislative action this year, because the relevant congressional committees are grappling with the even bigger challenge of healthcare reform. But given the consensus on the need for change, reforms loosely based on Mr Clinton's ideas probably will be enacted in 1995.

The most controversial change is the proposed two-year time limit on welfare payments. This is not quite as sweeping as it sounds. The new rules would apply only to the "next generation" - people born after 1971, about a third of the present case load. And the measures would be phased in slowly: by the year 1998 it is estimated that only about 8 per cent of the welfare population would be working for their benefits.

Nor is Mr Clinton proposing an end to public support after two years. If recipients could not find private sector jobs before the deadline, they would be offered publicly-subsidised employment at the minimum wage. Provided people "play by the rules" and continue searching in good faith for private sector jobs, the offer of

Unsugared pill

What do the Football Association and the watchdogs of Britain's retail financial services industry have in common? Answer: an uncanny ability to penalise the wrong people.

Consider the case of Tottenham Hotspur. The FA has just imposed a swinging £600,000 fine on the north London soccer club, excluded it from the FA Cup for a year and knocked 12 points from its total next season, which will make relegation difficult to avoid. The offences in question had nothing to do with controversial loan arrangements and transfer payments undertaken by its former manager Mr Terry Venables. They concerned the less weighty matter of irregular loans made to players in the 1980s. That was before the arrival of the club's present chairman and controlling shareholder, Mr Alan Sugar of Amstrad.

Mr Sugar is the kind of hard-boiled entrepreneur for whom hearts do not readily bleed. But it is difficult to see why he, who rescued the club with a cash injection in 1991, should bear the brunt of the FA's disciplinary action, or, again, why players and fans who were not involved in the irregularities should live under the cloud of

Clarke on trial

The chancellor of the exchequer assured his audience at the Mansion House last night that "we have not created the conditions for the strongest recovery in Europe in order to throw it away by creating yet another boom followed by a bust". Such talk is cheap. But will Mr Clarke act as decisively as he talks?

The chancellor is right to argue that the UK might manage a long period of sustained growth with low and stable inflation. There are, as he notes, three threats: unsustainable public borrowing; failure to keep inflation under control; and problems on the supply side, which would be shown in labour shortages and current account deficits.

So far, the recovery is going well, as yesterday's data show. Over the 12 months to May the retail price index, excluding mortgage interest receipts, rose 2.5 per cent, well within the government's 1.4 per cent target range (though at the upper limit of the bottom half of the target range, which is where inflation is supposed to be by the end of the Parliament). Happily, the underlying increase in labour earnings fell back to 3% per cent in the year to April, down again, to the first quarter of 1994.

Furthermore, unemployment has fallen far more than might have been expected, by 311,000 from its cyclical peak in December 1992. Yet the employment data are puzzling: the labour force survey shows an increase in the total number in employment of only 149,000 between the winter of 1992-93 and the winter of 1993-94, while the survey of employers shows a fall of 58,000 in employment between December 1992 and

March 1994. These discrepancies go to show how difficult it is to know the economy's potential output.

The chancellor's list of threats is correct. He has also done the right thing about the fiscal deficit, but must remind his backbenchers that tax cuts will demand further cuts in spending. As for bottlenecks, the best remedy of all would be a prolonged period of steady growth. Bottlenecks are bound to plague an economy suffering from erratic demand management.

Above all, demand must be managed cautiously, since nobody knows what potential output is. This is, in any case, not a point, but a band. What the authorities do know is that over the last cycle the underlying annual rate of growth was only 2% per cent; 3 per cent is probably the fastest safe annual rate of growth of real output and, given the current account deficit, also of real domestic demand. If inflation is to be below 2% per cent, nominal domestic demand should rise at about 5% per cent a year, which is, as it happens, what it did in the year to the last quarter of 1993 and, again, to the first quarter of 1994.

Mr Clarke is right to argue that the decision to publish the minutes of his discussions with the governor has been his most important one. But they also show that he has been more willing to cut rates than Mr George. Markets do believe Mr Clarke will be forced to raise rates, but fear he will act too late. Given their past experience, investors are bound to be distrustful. Mr Clarke must be prepared to prove those doubts misplaced.

She's the quintessential savvy, beautiful, independent, professional American woman. That is the role actress Candice Bergen plays almost nightly on US television in two different contexts: as the star of the comedy series *Murphy Brown* and as advertising pitch-person for long-distance telecommunications group Sprint.

Right now she can be extolling the merits of Sprint's new voice-activated Fonecard - the world's first calling card allowing a user to dial numbers simply by ordering the telephone system to "call home", or any of nine other destinations the individual nominates.

One advertisement has Bergen losing her address book as she drives across a wild American landscape. No problem. She uses her Fonecard at a remote call-box, muttering to herself: "Is this a great country, or what?" The mundane act of placing a phone call seems sexy, sophisticated, even patriotic.

It also highlights the attractions of Sprint, in which Deutsche Telekom and France Telecom have just agreed to invest some \$400m for a 20 per cent stake as part of a new global telecommunications alliance.

Established in 1986, two years after AT&T's stranglehold on the long-distance market was broken by an anti-trust court settlement, Sprint has built itself into one of the Big Three US long-distance carriers, with a strong brand identity (thanks in no small measure to Ms Bergen) and a reputation for technological innovation.

It was the first US company to build a nationwide, all-digital fibre-optic network - the kind of system which will form the backbone of the much-touted "information superhighway" - and it owns one of the leading global data communications networks, called SprintNet.

That said, it has been less successful than rival MCI Communications - longer established and known for razor sharp marketing - at snatching customers from AT&T, whose share of the US long-distance revenues has shrunk from 90 per cent to about 60 per cent since full competition was introduced in 1994.

Sprint, which made some serious marketing errors in the late 1980s, has a US long-distance share of around 2.5 per cent, against roughly 10 per cent for MCI. But Sprint - dismissed a few years ago as a long-distance also-ran - is showing signs of being a more aggressive, effective competitor.

It is also unique among US telecommunications companies in having large operations in all three important areas of the business - long-distance, local and cellular telephony - and some analysts

We're trying to connect you . . .

Martin Dickson appraises the attractions of Sprint to French and German state-owned telecoms companies



think this, with its national brand-name, puts it in a strong position to benefit from the sweeping change facing the US industry.

But it is mainly Sprint's long-distance and international operations which make it the most attractive US partner for European telecommunications companies - given MCI's alliance last year with British Telecom, and the likelihood that AT&T's size would make it an uncomfortable bedfellow and might trigger competition policy alarms in Brussels.

Sprint, for its part, needs foreign allies if it is to be an effective global player against AT&T and MCI, offering business customers a comprehensive service around the world.

The \$400m it will receive from the French and Germans will help it cut its market share began to slip, as the strains of its helterskelter expansion began to tell: it was over-

staffed; it had a reputation for billing errors; United Telecom and GTE argued over strategy; and MCI was much more innovative in its marketing, particularly to homes and small businesses.

Sprint's share is now rising slowly again, and profitability is improving, thanks in part to a 1991 management reorganisation which focused more closely on market segments. It has established a solid position among corporate customers and has cleverly targeted affluent individuals who use the phone often, though it is still under-represented in the small businesses market.

The long-distance arm is in the throes of an extensive programme to cut costs and improve cycle times which analysts expect to produce several hundred million dollars in savings when it ends next year.

Its operating margin - operating income as a percentage of revenues - has already risen from 5 per cent in 1992 to a little over 8 per cent, and Wall Street expects the figure to be close to 10 per cent by late 1995. But that would still be short of the 11 to 12 per cent margin at AT&T and MCI.

Sprint's local telephone operations have a much better financial track record. Serving 6m customers in 19 states, Sprint has one of the most modern local networks in the US, one of the highest returns on equity among regional carriers and the nation's fastest growth in access lines. And while the local operations had operating revenues last year of \$1.1bn, well below the \$6.1bn of long-distance, they made \$365m in operating income, far outstripping the \$50m of long-distance.

Sprint's cellular telephone business, the 10th largest in America, also had one of the industry's fastest rates of customer growth, and Mr Esrey plans to use much of the European cash injection to bolster its position. He wants to form an alliance with other cellular operators, which have a patchwork of local licences across the US, to create a seamless national mobile network. His rivals have similar plans: AT&T (through its proposed takeover of McCaw Cellular) and MCI (through a stake in wireless operator Nextel).

All three groups, and their allies, are expected to be keen bidders at the end of this year when the federal government auctions off licences for personal communications services, which use especially small, light handsets and may turn wireless into a mass market.

Sprint's local phone business will face increased competition over the next three to five years, in common with every other regional carrier, as competition breaks down these local monopolies. Analysts think it will suffer less than most regional carriers because its local business is concentrated mainly in rural areas with fewer than 10,000 access lines - making this side of its business unattractive to companies targeting areas of high population density.

Sprint, moreover, thinks any local losses it may suffer from competition could be greatly outweighed by the freedom deregulation will give it to go into the territory of other regional operators: many of its exchanges are close to large centres of population, where it could cream off business customers.

"This may be the gold mine of local competition for us," says a senior executive.

ing Philips, ABN Amro, ICL, Rank Xerox and ABB. Its objective is simple: to negotiate cheaper volume tariffs and better cross-border facilities by offering pan-European contracts to one or more of the larger operators.

As a first stage, the association has invited British Telecommunications and an alliance of AT&T and Unisource to produce plans and prices for a pan-European network. Mr John Sale of Rank Xerox, the association chairman, is looking for cost savings of up to 40 per cent in return for volume business. At the start of the year, the association had 30 members; it has already risen to 50 "and we are continuing to receive approaches from large companies", says Mr Sale.

For their part, the telecoms alliances are pulling out every stop to get business from the association. They do it with some misgivings: "Frankly, the deal is that we undercut ourselves, and the more the better," notes a senior executive of one telecoms company.

But the cost of missing out could be higher still, as the alliances securing the principal contracts use their muscle to bargain down the price of bulk capacity from other telecoms operators around the world.

Andrew Adonis explains the competitive pressures leading to international alliances Best form of defence

Few industries are surrounded by so much hype as telecommunications. Its networks have become "superhighways"; its new services are invariably "multimedia"; every other joint venture claims to be "global".

In fact, the multimedia revolution is in its infancy, while today's grand alliances are essentially moves by individual telecoms companies to increase their ability to snatch core telecoms business from other international operators. Such truths should reassure, not disappoint, the consumer: it means more competition, better service, and the prospect of sharp falls in prices, particularly for international tariffs.

This is not to minimise the sums of money at stake. More than \$4bn will change hands if the alliance between the US company Sprint and the French and German state-owned telecoms companies is consummated. The trio is consciously imitating British Telecommunications and MCI, which yesterday gained US regulatory approval for a \$5.5bn transatlantic alliance.

From the point of view of France Telecom and Deutsche Telekom, the Sprint link-up is more defensive than offensive:

do already - provide an efficient, cost-effective international telephone service.

Other international telecoms alliances show similar characteristics. Mr Vlastimil Vuchs, chief executive of Unisource, the international joint venture launched last year by the Swedish, Swiss and Dutch national telecoms operators, concedes: "Our focus is a bit uneasy - it is solving customer needs as they are right now; better quality and lower cost for international telephone services."

He adds: "They are basic needs that should have been solved a long time ago; and we need to get them right before we can start offering the ownership and management of their telecoms systems - is problematic. Surveys show large companies reluctant to hand over full control of such a strategic asset: according to one international operator, up to a third of multinationals inviting tenders for outsourcing contracts end up not

awarding them.

Mr Vuchs' "basic needs" are big business. The market for providing managed telecoms services to multinationals, enabling them to deal with a small number of contractors for their international telecoms needs, is potentially vast.

Dataquest, the international consultancy, estimates that in 1997 the global market for international calls will be worth about \$100bn, with the corporate sector accounting for two-thirds. The operator able to establish itself now with the multinationals - of which Unisource estimates there are 2,400 globally, 800 of them in Europe - will be well-positioned as national telecoms monopolies crumble outside the US.

However, the market for telecoms companies to act as "outsourcers" for the telecoms needs of multinationals - that is, to take over the ownership and management of their telecoms systems - is problematic. Surveys show large companies reluctant to hand over full control of such a strategic asset: according to one international operator, up to a third of multinationals inviting tenders for outsourcing contracts end up not

awarding them.

As for the multinationals, their new-found power as buyers has been enhanced by the formation of a pan-European telecoms association of large multinationals, includ-

Girolami and his rival

Girolami's retirement from Glaxo's chairman, Sir Paul Girolami, at the ripe age of 88 rounds off one of the most remarkable careers in British business this century. It also shows an interesting sense of occasion. Under Sir Paul, the mandatory retirement age for other Glaxo directors was reduced from 65 to 60. He himself, however, made clear, would go in his own good time.

He also made clear that his chief goal was to overtake Merck of the US, headed by Roy Vagelos, as the world's biggest drug company. Although he has done a remarkable job in closing the gap, he has failed in his object. Vagelos, meanwhile, has said he will retire in November. Girolami, no doubt by coincidence, is to go in the same month.

Given the intense competition between the two companies and the two men, it is worth asking who won in the long run. On one view, the answer has to be Girolami. Back in 1978, when he was Glaxo's finance director, the company had no sales in the US. It is now America's second biggest drug company after Merck, with sales of \$2bn. This was chiefly due to Girolami's promotion of the ulcer drug Zantac. According to company lore, Glaxo originally planned to license Zantac to the US to Merck, before Girolami blocked the idea.

Similarly, since Girolami took over in 1981, Glaxo's sales and profits have doubled at twice the rate of Merck's. Merck's market value has risen eight-fold, Glaxo's 44-fold. But on many of these criteria Merck - one of the most admired companies in America - is still clearly ahead.

Vagelos is ahead in another sense. Last year Merck shook its competitors right with the \$3bn takeover of Medco, a leading US drug distributor. In an industry obsessed by shrinking healthcare spending, this looks increasingly like a strategic masterpiece. Glaxo, like most of its rivals, is still struggling to respond.

Girolami, in other words, looked until lately to be ahead on points; but he leaves his company at a point of maximum uncertainty, with his arch-rival stealing victory at the final bell.

Big John

Talk about the pot calling the kettle black. John Prescott, Labour's blunt-speaking bruiser, was yesterday condemning the "politically motivated ministers" who had engineered the rail strike. Wasn't the ex-ship steward one of the "politically motivated men" excoriated by Harold Wilson, then prime minister, during the 1966 seamen's strike? Prescott was not named by Wilson because he had been adopted as prospective Labour candidate for Southport. Comment

stars, the Appia Antica. However, problems of security and fear of antagonising the public by ostentatious living have eliminated all these options. Instead, he has plumped for an unused flat on the upper floor of the prime minister's office at Palazzo Chigi.

Berlusconi's search for a suitable residence underlines the fact that the previous 52 postwar Italian premiers were never in office long enough to worry much about where they lived. The Chigi apartment was last used in 1983 by that hardsy Amintore Fanfani.

Singed?

■ Is the honeymoon over between British Gas and its new regulator, Clare Spottiswoode?

Judging by British Gas's decision on the pricing formula yesterday, the answer would seem to be "yes". Announcing that this year's dividend increase is now at risk, British Gas chief executive Cedric Brown said: "The document dispels any thought that British Gas has captured its regulator. She is extremely tough, demanding, intelligent and has a clear mind of her own."

Then again, Observer does not recall the word "intelligent" ever appearing in the war of words which characterised British Gas's stormy affair with her predecessor,

the crusty Sir James McKinnon. Perhaps there is a ticker of hope that the relationship may warm up again.

False note

■ Hoots now, here's a rum do - bagpipes that can't play a note. It seems that enterprising Pakistanis have spotted an unusual marketing niche. They are manufacturing cheap versions of Scottish bagpipes, those peculiar instruments shaped like a battered carpet-bag which emit sounds like a banjo, much to the delight of some Scots.

Stuart Mackay, of Forfar-based (authentic) bagpipe manufacturers Gilanders and McLeod, says that "Pakistanis are definitely targeting our market. It's a real cheek. The workmanship is terrible, they hardly produce a note - and tourists who have bought these things in Edinburgh come in and ask us to make them playable!"

The silent bagpipe - now that really would be a usp.

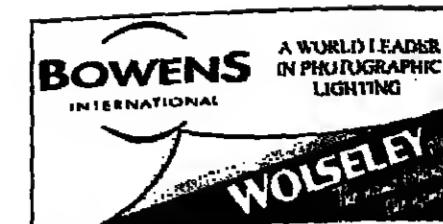
Pasta and chips

■ With the kick-off only days away, World Cup fever is hotting up in New York where T-shirts celebrating the first round's most compelling match have gone on sale. On the front: "Ireland vs Italy". On the back: "The IRA vs The Mafia".



FINANCIAL TIMES

Thursday June 16 1994



Industry likely to make \$1bn profit this year

Airlines set to end four years of lossmaking

By Paul Betts, Aerospace Correspondent, in Geneva

The international airline industry expects to return to profit this year after suffering four years of huge losses.

After losing \$4.1bn last year and a total of \$15.6bn since 1990 on international scheduled services, the International Air Transport Association (Iata) said yesterday the industry was likely to show a profit of about \$1bn this year.

"We are hopeful we have turned the corner," said Mr Tom Murphy, senior director of the organisation which groups more than 220 carriers.

Although the industry had hoped to see the first signs of an overall improvement last year, Mr Pierre Jeanniot, Iata's director-general, said 1993 was far worse than expected.

Originally the industry had expected to lose about \$2.4bn on international scheduled services last year, but ended up with a

\$4.1bn deficit, the second largest in its history after that of \$4.8bn in 1992.

Costs per ticket sold had fallen by 5.2 per cent last year, compared with an expected 8.8 per cent decline.

World airlines expect return to profits. Page 4

grow by 8 per cent, with capacity growing more slowly by 5 per cent. This, coupled with a small decline in costs as well as yields, is likely to lead to a \$1bn profit in 1994.

Although this was a sign that the industry cycle was finally turning, a \$1bn profit still represented less than 1 per cent of the industry's annual turnover, Iata officials noted.

Mr Murphy said much of the traffic growth had been "bought" through promotional and discounted fares at the expense of yields. This led to the bigger-than-expected loss of \$4.1bn.

While traffic increased last year, the operating revenues of Iata airlines fell by \$400m to \$107.7bn, reflecting the pressure on passenger yields.

Traffic this year is expected to

Clarke says spending cuts to have priority over tax cuts

By Peter Norman, Philip Coggan and Gillian Tett in London

Mr Kenneth Clarke, the UK chancellor of the exchequer, last night pledged that the government would not steer Britain's economic recovery into a new boom and bust cycle by generating a "frivolous, inflationary, feel good" factor.

In the annual chancellor's Mansion House speech in the City, Mr Clarke moved to scotch suggestions that the government might opt for more expansionary economic policies in the wake of recent electoral disasters.

After a day in which official figures pointed to a steady, low inflation recovery, he made clear that public spending cuts would take precedence over tax cuts.

"We will cut taxes again, but only when we can afford to do so," Mr Clarke said. "The public are usually more sensible than politicians and the press. They will not put their confidence in a government that cuts taxes before getting borrowing under control."

The Mansion House speech has traditionally been the occasion for chancellors to expand on monetary policy. But last night, Mr Clarke chose a broader brush approach, partly because the details of monetary policy are in the public domain following the government's decision to publish the minutes of the chancellor's meetings with Mr Eddie George, governor of the Bank of England.

Yesterday's figures on unemployment, inflation and earnings suggest the economic recovery is being sustained. Average earnings slowed to an underlying average annual rate of 3.2 per cent in April from 4 per cent in March, calming City fears that the Bank might soon have to push up short term interest rates.

The news on retail prices was also positive, the annual "headline" rate of inflation staying unchanged at 2.6 per cent in May compared with April. Although the underlying measure of retail price inflation quickened to 2.5 per cent last month from 2.3 per cent in April, analysts said the increase partly reflected seasonal factors.

Meanwhile, a seasonally adjusted 20,100 drop in unemployment to 2.68m in May reinforced the picture of steady recovery. The fall, for the fourth month in a row, cut the jobless rate among benefit claimants to 9.4 per cent of the workforce in May from 9.5 per cent the month before.

There continued, however, to be a discrepancy between the claimant figures and those for the workforce in employment. The latter showed that the number of people in employment fell by 22,000 in the first quarter of 1994.

Mr John Prescott, shadow employment secretary, highlighted this continuing divergence. "The government's own statistics show that in 1993, while 221,000 people came off unemployment benefit, employment increased by only 19,000. The rest simply disappeared, like 70,000 of our 16 and 17 year olds, who have no job, no training, no income and no hope," he said.

Bank chief holds out prospect of higher rates. Page 7

China signals thaw over Hong Kong

Continued from Page 1

an invitation China extended last week to Mr Alastair Goodlad, a Foreign Office minister, who will visit Beijing next month.

This is the first British ministerial visit to the Chinese capital for a year. In September a top British business delegation will

go to China to try to improve trade relations.

In a related move it was announced yesterday that the Sino-British joint liaison group (JLG) would meet from June 21 to June 23. The JLG, which oversees the transfer of Hong Kong to China and should have met last in March but failed to do so - has a large backlog of technical work to complete.

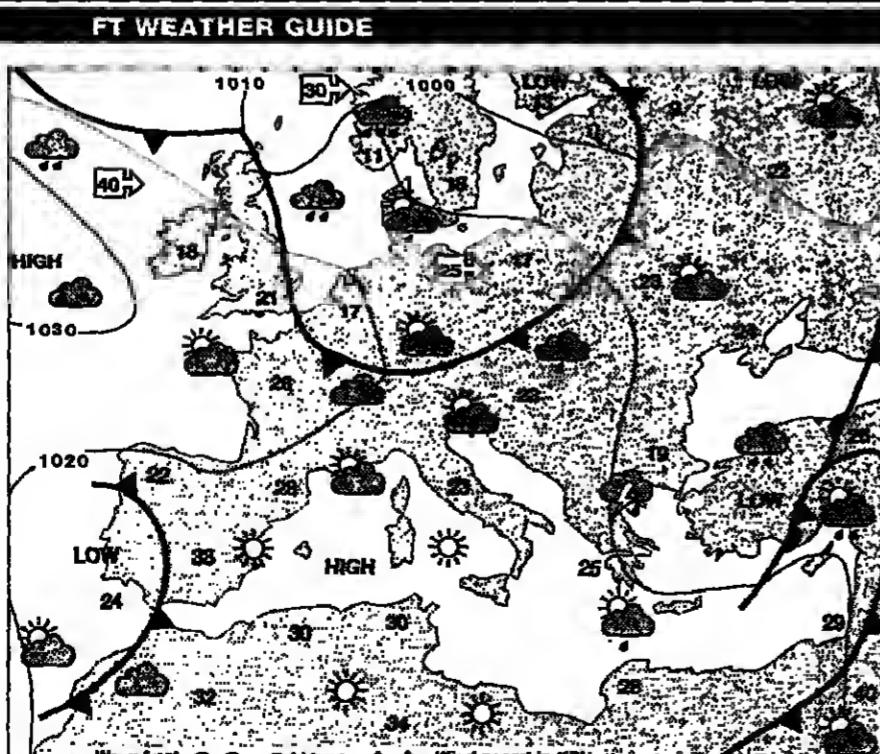
The forthcoming meeting is expected to seal the terms of a deal whereby the Hong Kong government will re-fit some military sites in the colony for the use of China's armed forces in exchange for the release of surplus military land for civilian development.

Europe today

A westerly stream of air will cover northern Europe, while southern and south-western Europe will be affected by high pressure. Finland will have rain. Sweden will be sheltered from the rain by the Norwegian mountains, bringing sunshine and occasional showers. France and Spain will be warmer, with tropical conditions over the interior of Spain. South-eastern Europe will have unsettled conditions. Greece, western parts of Turkey, and the Balkan states will have thunderstorms. Poland, Germany, and the Alps will have clear spells with occasional showers.

Five-day forecast

A surge of warm air from Spain will flow northwards and conditions will be warmer over France, Germany, and the Benelux. Cooler air will flow from the Atlantic, bringing thunderstorms over Spain, France, the Benelux, and Germany. Northern Europe will have unsettled conditions, while the south-east will be warmer.





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COMPANIES & MARKETS

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IN BRIEF

Amsterdam aims to get in front

The Amsterdam stock exchange is hoping an overhaul of its equity trading system will re-establish its position as the principal marketplace for Dutch stocks. Page 17

Swedes sell Suttons Seeds to French
Vilmorin, the French company which is the world leader in garden seeds, yesterday confirmed its international expansion by agreeing to buy Suttons Seeds in the UK from Volvo, the Swedish motor group. Page 16

Beggars wants speedy rail deal
The Netherlands-based Royal Beggars group wants to complete the purchase of Deutsche Waggon (DWA), the east German rolling-stock manufacturers, "as soon as possible". Page 18

Australian group faces break-up bid
A break-up bid was launched last night for Foodland Associated, the troubled Western Australian retail, wholesale and property group. Page 18

El Al at historic point
Israel's decision to sell El Al, the country's state-owned airline, to the public by December marks a critical turning point in the company's history and a landmark in the government's creeping privatisation programme. Page 18

Swift cuts joining fees
Swift, the cross-border payment message network owned by 2,220 banks, announced cuts in fees for joining the network in an effort to boost its use among smaller banks, securities houses and other financial institutions. Page 19

Egyptian contracts hit Thames Water
Thames Water, the largest of the UK privatised water companies, announced a 4 per cent fall in pre-tax profits after losses in contracting businesses and restructuring costs. Page 20

BT deal with MCI cleared
US regulatory authorities cleared the \$5.3bn alliance between British Telecommunications and MCI, the second largest long-distance carrier after a year-long investigation. Page 20

CE Heath hit in the Antipodes
Provisions against losses on Australian workers' compensation business have hit profits at CE Heath, the UK insurance broker. Page 21

Perkins buys Dorman Diesels
Perkins Group is buying Dorman Diesels, one of the oldest and most famous names in the diesel engine industry. Page 22

Different news for UBS staff
In recent years London staff of UBS, part of the Union Bank of Switzerland, have become used to hearing news of market share gains. However, this January staff were greeted with a different message. Page 23

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EMI currency rates	18	Money markets	22
Euroland prices	19	New bond issues	19
FT-4 week index	19	Recent issues, UK	25
FT-Golden index	22	Short-term int rates	32
FT-Golden index	22	US interest rates	17
FT/ISMA int bond incs	18	World Stock Markets	17
FT-SE Actuaries Indices	25		

Chief price changes yesterday

FRANKFURT (cont)		Parfums (PPV)	
Phileas		Parfums Corp	32
Hedging Zone	+ 20	Perugina	32
Imperial	+ 10.3	Perugina	32
Police		Perugina	32
Colgate		Perugina	32
Colgate	+ 10	Perugina	32
Kodak	+ 18	Perugina	32
Monsanto	+ 12	Perugina	32
Thomson	+ 13	Perugina	32
Witt		Perugina	32
And Materials	+ 14	Philips	20
Gas	+ 14	Philips	20
Oradea	+ 14	Philips	20
Soft Paper	+ 24	Philips	20
Mail	- 1	Philips	20
People	- 1	Philips	20
		Philips	20
New York prices at 12.30pm.		Philips	20
LONDON (Pence)		Daily Mail	1115
Gas		Eastern Daily Press	502
Gas		Eastern Daily Press	502
Gas	+ 7	Eastern Daily Press	502
Gas	+ 22	Eastern Daily Press	502
Hedgehogs	+ 10	Eastern Daily Press	502
Lockers	+ 15	Eastern Daily Press	502
Amplified Grou	+ 14	APG	106
Stiles	+ 5	Scotiabank	42
Wadsworth	+ 24	Scotiabank	42
Patent	+ 18	Wagstaff	403
Gas	- 5	Wagstaff	403
Gas	+ 17	Wagstaff	403
Gas	- 5	Wilson Brothers	451
Gas	- 47	Wilson Brothers	451

Cott's shares dive 20% on financial fears

By Bernard Simon in Toronto

which Cott bought from some of its own executives last year, should have been treated as compensation expenses instead of as an asset.

Concern about its financial condition was heightened by reports on Cott's presentation to analysts in Toronto on Tuesday. Some participants criticised the company for not yet publishing its annual report for the year to January 1994. Under Ontario securities rules, the deadline for filing the report is next Monday.

Cott's private-label products have been remarkably successful in eroding Coke and Pepsi's market share in North America, Australia, South Africa and, most recently, the UK.

But questions frequently surface in analysts' reports and the press about the company's financial condition. Much of the criticism is based on its accounting practices, which in turn has raised scepticism about the quality of its cash flow and earnings.

For instance, Cott classifies its contracts for supermarket shelf space as assets, while Coke and Pepsi treat these fees as expenses. Critics contend that a minority stake in a US company,

"Many accountants who have taken the time to understand the underlying transactions agree that it is following the appropriate practices," he said. "But the fact that it's not the same as Coke, Pepsi and the bottlers makes some people nervous."

Robert Peston reports on the extensive reorganisation of the Italian prime minister's debt-laden corporate interests

The reorganisation of Mr Silvio Berlusconi's extensive and debt-encumbered business empire is probably as challenging as sorting out Italy's budgetary morass.

In the prime minister's private affairs, a start has been made. The public offer in the flotation of 33 per cent of his publishing interests, Mondadori, is launched today, with the shares priced at L1,500, the top end of the underwritten price range.

The L850bn (\$615m) proceeds will cut debt at Mr Berlusconi's main holding company, Fininvest, Italy's biggest media group and one of its three biggest private sector companies.

Net borrowings stood at L3,600bn at the end of 1993, or around L4,500bn gross. Italian bankers believe the overall figure would be higher if off-balance sheet liabilities were included.

The Mondadori sale is the easiest part of the Fininvest restructuring.

As it already had a stock market quotation (with a nominal amount of shares owned by outside investors), it was less opaque than other Berlusconi businesses. Acquired in 1981, it had retained some financial and managerial autonomy – although flotation was delayed until loans it had made to other parts of Fininvest could be repaid.

Nonetheless, Mr Franco Tato, who was moved from Mondadori to become Fininvest's managing director in October, sees Mondadori as the model for untangling the group. The aim is that, within three years, Fininvest will become a holding company, with a tiny staff, owning stakes of around 50 per cent in independent quoted companies.

The financial services business

[insurance and investment products] will probably be floated, with us selling around 50 per cent of the shares, some time this year or early next," Mr Tato said.

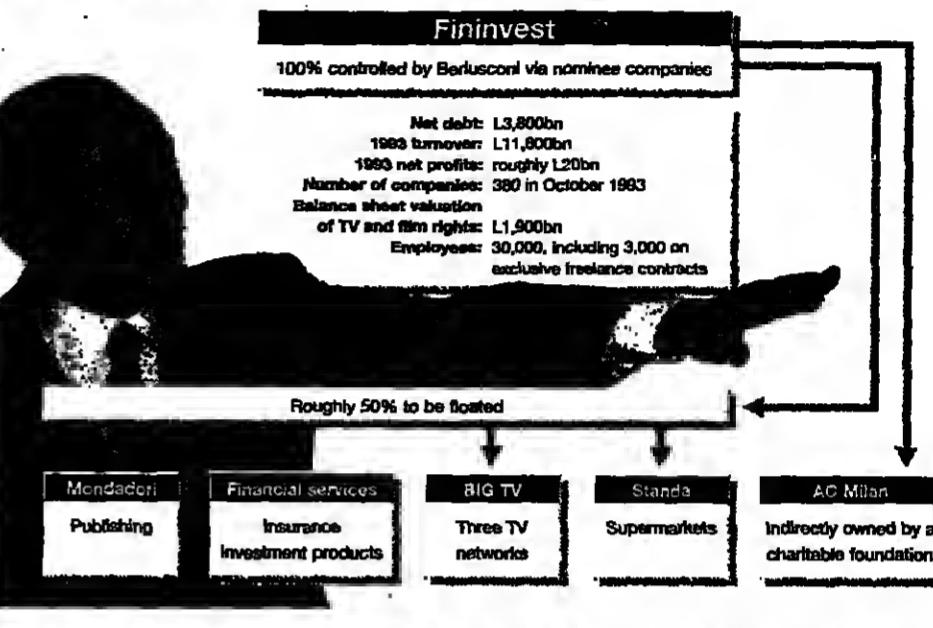
"Any disposal of TV interests [three TV networks] will come last in the restructuring process.

The timetable and disposal method for the supermarket chain Stando are less certain because it requires substantial investment to modernise its network of 550 stores. Fininvest executives say an early sale would yield inadequate proceeds.

This radical reorganisation is necessary because Fininvest expanded too fast in the late 1980s and early 1990s, taking on too much debt at the onset of recession. After-tax profits last year, yet to be formally disclosed, were similar to the previous year's L21.1bn – trivial in relation to turnover of around L11,600bn.

Fininvest would probably have incurred losses under more conservative accounting policies, according to analysts. They say

How the empire will look



there is a case for the group making bigger provisions to cover depreciation in the value of its TV and film rights – booked at L1,900m in the year-end balance sheet – although Fininvest believes this understates the true value of the library.

Analysts' concerns have also been prompted by a letter from auditors Arthur Andersen to the Fininvest board, in which Andersen criticised the 1992 accounts for failing to include adequate provisions against three continental liabilities:

- a L17.7bn potential tax liability on capital gains, although Fininvest is confident this will never be crystallised.

- a potential liability relating to L4.7bn owed by associate companies on rights they had purchased;

- the risk of losses on a L26bn exposure to Teleplus, a pay television station yet to make profits, in which Fininvest has a 10 per cent stake.

However, Mr Oliver Novick, Fininvest's director for corporate strategy, said the main difficulty for the group was not so much the magnitude of liabilities and borrowings, but the location of debt within the complex corporate structure.

The problem is that most of the debt is in the top company, while the cash flow is in the operating companies," said Mr Novick.

In Italy there is no concept of consolidated profit in tax law.

Each company within a group is assessed for tax separately. So it is tax inefficient for Fininvest to have substantial interest and other costs in its top company and cash flows in other companies.

"Even the financial services businesses had deposits with Istiti, though far smaller than Stando's. "We have agreed we will no longer administer deposits [or take loans] from Stando," said Mr Tato.

Fininvest's management is also burdened with requests for information from magistrates, who are investigating allegations that Fininvest or companies linked to it may have been involved in paying bribes to politicians or in other forms of financial malpractice.

"We have provided magistrates with 800,000 photocopies of our documents," Mr Tato said.

INTERNATIONAL COMPANIES AND FINANCE

Metsä-Serla profits climb sharply despite lower sales

By Hugh Carnegie
in Stockholm

Metsä-Serla, the Finnish forestry group, yesterday reported a brisk rise in profits after financial items in the first four months of the year to FM151m (\$27.4m) from FM105m in the same period last year.

The improvement came in spite of a small fall in net sales to FM2.88bn from FM2.62bn.

Metsä said delivery volumes for many products had risen sharply and prices had bottomed out, with the prices for market pulp, fine paper and sawn goods in particular rising

quite quickly. But some of the lift provided last year by the sharp devaluation of the Finnish markka had been eroded by a strengthening of the currency this year.

Export prices were 5 per cent down in Finnish markka terms during the period, compared with last year.

Metsä said it expected demand to grow in the US and the UK this year, with a slow recovery in western Europe.

Finnish markka prices were unlikely to change over 1994, but the group expected a better result than the FM268m profit returned last year.

Operating profits for the paper and paperboard sector fell to FM55m from FM13m, but Metsä said this reflected the start-up in January of a film-coated offset production line at the Kirkniemi paper mill.

Operating profits for corrugated board, tissue and chemicals were down at FM116m, compared with FM156m. But the sawn goods and pulp division saw operating profits rise to FM121m from FM71m.

Net financial expenses fell to FM72m from FM248m as net interest charges more than halved to FM17m.

Metsä said delivery volumes for many products had risen sharply and prices had bottomed out, with the prices for market pulp, fine paper and sawn goods in particular rising

Vilmorin agrees to buy Suttons Seeds

By Alice Rawsthorn in Paris

Vilmorin, the French company which is the world leader in garden seeds, yesterday continued its international expansion by agreeing to buy Suttons Seeds in the UK from Volvo, the Swedish motor group.

The deal was for an undisclosed sum. It marks an important stage in Vilmorin's development as Suttons is one of the oldest and best-known brand names in the buoyant UK garden products market with a dominant share of the seeds sector.

Vilmorin, which has seed interests in Germany, Spain and Italy, has for some time been eager to expand into the UK. It seized its chance to win control of Suttons when Procordia, the Volvo subsidiary that owns the company, put it up for sale as part of a long-term policy of shedding peripheral businesses.

Suttons, based at Tiverton in Devon, claims 40 per cent of the UK garden seed sales. The seed market has flourished in recent years thanks to the heightened interest in gardening. Suttons in 1993 made net profits of \$227,000 on turnover of \$15m (\$22.7m).

Procordia has for the past 18 months been in discussions with Vilmorin to finalise the deal. The French group, which made static pre-tax profits of FF170m (\$12.3m) on sales of FF1.12bn in its last financial year to June 30, won control of Suttons against offers from a number of UK companies.

Mr Pierre Lefebvre, chief executive of Vilmorin, said the deal should enable Suttons to improve its performance by accelerating its development under the aegis of its new parent company. Vilmorin, which last autumn joined the Paris secondary market, has a long-term strategy of heavy investment in product development.

The European Commission, which is examining a FF20bn capital injection for the ailing airline, will pay close attention to the financial terms of the deal.

Wella puts perfume in its basket

The group's 4711 move puzzles analysts, writes Christopher Parkes

Wella, the German haircare group, is to make a decisive move into the perfume business with the purchase of a 90 per cent-plus stake in Muehle, best-known for its 4711 eau de cologne brand.

The deal, billed by Wella as the biggest acquisition in its history (although no details of terms were given), follows two strategic purchases in the hair care trade, and coincides with the closing phase of a stake-out in its European manufacturing operations.

Muehle, a 200-year-old private concern which claims to be German market leader in women's perfumes, had sales of about DM500m (\$294m) last year. Apart from the 4711 name, it produces more youthful brands such as Sabatini, Presley and Tosca, and has a global licence to use the Gucci perfume label.

Wella's interests in the sector are concentrated in Rochas, bought in 1988 from Roussel Uclaf, and which last year contributed DM168m to group sales.

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Although haircare and perfume products have clear synergies in terms of distribution and target markets, the apparent diversification puzzled analysts, who have been repeatedly told by Wella that its prime aim was to become a world leader in haircare.

Already number one in salon products, it ranks fourth behind L'Oréal, Unilever and Procter & Gamble in the retail sector. Last year, it bolstered its presence in US hairdressing salons with the purchase of an 80 per cent majority in Sebastian.

Wella's interests in the sector are concentrated in Rochas, bought in 1988 from Roussel Uclaf, and which last year contributed DM168m to group sales.

Observers believe more haircare acquisitions are likely, which could be slotted in to the group's core manufacturing and distribution business.

Accommodating 4711, a traditional family concern recently taken by legal disputes over its direction, seems likely to be less straightforward. According to statements yesterday from Mr Peter Zehlsdorf, Wella chairman, 4711 is no cash cow and will require work.

While the business should more or less break even this year, it added, it would be some years before a steady stream of profits flowed.

While Gucci enjoys prestige status, the flagship eau de

Meridien Hotels decision faces delay beyond board meeting

By John Riddings in Paris

A decision on the Meridien Hotels chain, owned by Air France and courted by Forte, the UK hotels group, and Accor, the French travel group, is likely to be delayed beyond today's board meeting of the French state-owned airline, officials indicated yesterday.

A June 30 deadline has been set for the bidding process, but the sensitivity of the sale has resulted in a series of delays.

A decision was first expected on April 28, but the rival bids

were referred instead to France's privatisation commission, an independent body which advises the French government.

Today's board meeting had been set as another date for the announcement of the decision. But sources close to the sale said that no decision has yet been reached on the two bids.

Forte's is the higher bid, valuing the Meridien chain at FF1.5bn (\$305m) compared with FF1.5bn offered by Accor and its partner, Prince Al-Wal-

eed Bin Talal of Saudi Arabia. Meridien management has said it prefers the Forte offer, but political pressure has been brought to bear to keep the luxury hotels chain under French control.

Air France, which suffered losses of FF7.84bn last year, needs to raise as much cash as possible to reduce its debts.

The European Commission, which is examining a FF20bn capital injection for the ailing airline, will pay close attention to the financial terms of the deal.

NKT subsidiary expands into US with DKr650m purchase of rival

By Hilary Barnes
in Copenhagen

Fisker & Nielsen, a subsidiary of NKT Holding, the electro-technical and engineering group listed in Copenhagen, is to acquire Advanced Machine Company of Minnesota, one of its main US rivals, for DKr650m (\$100m).

The purchase will make the Danish company the world's largest manufacturer of vacuum cleaners, carpet cleaners and floor treatment machinery for professional use.

The new company, which

will take the name Nifisk, after the brand name of Fisker & Nielsen's cleaners, will form a group with a turnover of about DKr2bn and about 2,500 employees.

Fisker & Nielsen is market leader in Europe for industrial and institutional vacuum cleaners. Advanced claims second place in the US market.

Advanced will become a wholly-owned subsidiary of Fisker & Nielsen. Through an exchange of shares, Fisker & Nielsen will make an extraordinary dividend payment of DKr600m to NKT. The group said it was difficult to find

an option to acquire another 7.5 per cent. The remaining shares will be held by NKT.

A stock exchange listing for the new group within three to five years will be considered, said NKT.

Fisker & Nielsen made a pre-tax profit of DKr4m on turnover of DKr1.14bn in 1993. Advanced made a pre-tax loss of DKr65m on sales of DKr510m.

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A stock exchange

INTERNATIONAL COMPANIES AND FINANCE

EDS wins \$3.2bn Xerox outsourcing contract

By Louise Kaho
in San Francisco

Electronic Data Systems (EDS), the computer services company owned by General Motors, has won a \$3.2bn, 10-year contract to take over operation of Xerox's computer and telecommunications network.

The "outsourcing" contract is believed to be the largest of its kind, and the first to encompass the worldwide information management operations of any company.

Under the arrangement, EDS will assume responsibility for Xerox data-processing, telecommunications and computer network services in 19 countries and provide and maintain the computer applications

that support Xerox's internal business processes.

It will take control of data centre operations, including the main ones in the US, the UK and Brazil; worldwide voice and data communications; desktop systems support; and outsourcing business support applications.

Xerox will retain responsibility for determining the architecture of its computer systems, strategy and new program development. It will also continue to service and support its customers.

Some 1,700 Xerox employees, including 1,400 in the US and 750 in the UK, will transfer to EDS over the next 18 months.

Xerox has taken the unprecedented step of outsourcing

almost all its information management operations to "focus resources on our core business of document processing, which is critical to ensure our continued success in a fiercely competitive industry," said Mr Paul Allaire, Xerox chairman. He said the outsourcing arrangement would cut costs.

"This is the first truly global commercial information-management outsourcing arrangement and provides an opportunity for EDS to showcase its proven capabilities," said Mr Les Alberthal, EDS chairman, president and chief executive.

The Xerox contract follows EDS's recent \$1.5bn order to handle computer operations for the Inland Revenue, the UK tax authority.

Citibank leads the way in Mexico

By Richard Waters
in New York

Citibank, part of the US banking group, is the first foreign bank to apply for a licence to operate as a full-service financial institution in Mexico.

Under the North American Free Trade Agreement, ratified last year, US banks are permitted to carry out a wide range of activities in Mexico under the auspices of a locally-incorporated holding company.

Third-quarter improvement at RH Macy

By Frank McGurty

R.H. Macy, the US retailer struggling to emerge from Chapter 11 bankruptcy protection, said it was encouraged by the steady improvement in its underlying performance in the third quarter.

The department store chain announced a 32 per cent jump in earnings before interest, taxes, depreciation and amortisation to \$34.9m for the three months to the end of April, against \$26.5m a year earlier. The net loss was \$157.3m against a \$227.9m deficit recorded in the year-earlier quarter.

BCE to form directories link with HK Telecom

By Bernard Simon in Toronto

BCE, the Canadian telecommunications group, is expanding its international directories business by forming a joint venture with Hong Kong Telecom.

The new unit, whose revenues are expected to total US\$1bn over the next decade, will publish telephone directories, including Yellow Pages, for Hong Kong. BCE will provide management and technical services.

Mr Thomas Bourke, president of Tele-Direct, a BCE subsidiary, said that the Hong Kong directories market was

a long line of international banks to open representative offices in Beijing, writes Tony Walker in Beijing.

The bank said the new office represented Bankers Trust's commitment to China and to Asia. "These 10 or more years of economic success and mounting international investor interest have converged to make China one of the most attractive and fastest growing financial markets in the world," it said.

Tartikoff lured to top position at New World

By Martin Dickson
in New York

Mr Brandoo Tartikoff, who has a reputation as one of the most talented US entertainment industry executives, was named yesterday to the top production post at New World Communications — the media group which shocked the television business last month when its stations switched affiliation to the upstart Fox network owned by Mr Rupert Murdoch.

The move is a considerable coup for New World, a media group which forms part of the empire of Mr Ronald Perelman, the New York investor and head of the Revlon cosmetics group.

New World owns television stations but is also keen to build up its film production business, called New World Entertainment, which has produced several hit television series.

Mr Tartikoff rose to prominence at the NBC television network, where he was chairman of the entertainment group and helped the network to six consecutive seasons as number one in prime time.

He left there to head Paramount Pictures, the Hollywood film studio, but resigned abruptly in 1992 to spend more time with his daughter, who had been injured in a car accident.

Since April last year he has been president of Moving Target Productions, his independent production company, which is to be acquired by New World. As part of last month's deal, Fox agreed to invest \$500m in New World and work with it to develop syndicated programming, as well as prime time series and movies for Fox.

Mr Perelman and Mr Bill Bevins, chief executive of New World, approached Mr Tartikoff about the job after forming their alliance with Fox.

Mr Tartikoff said he had been impressed by the vision they shared of the changing television world, their financial resources, and their access to 40 per cent of US homes through the Fox deal.

Amsterdam prepares to fight back

The exchange wants to return to the top, writes Antonia Sharpe

Flush with its recent success in clawing back business in Dutch government bonds from London, the Amsterdam stock exchange is hoping that an F1.8m (\$4.3m) overhaul of its equity trading system will re-establish its position as the principal marketplace for Dutch stocks.

The most important part of the reform is the decision to abolish Amsterdam's old-fashioned system of jobbers or *hoeckmen*, whose inability to satisfy the large-scale trading demands by international investors resulted in the flight of such business to London.

According to Mr Paul Ariman, the secretary-general of the Amsterdam Stock Exchange between 40 and 50 per cent of block trades in Dutch stocks are done in London, although many of these transactions are later unwound in Amsterdam.

Last year, \$22.5bn (\$33.45bn) worth of business in Dutch stocks was executed in London compared with \$24.5bn worth of turnover in Amsterdam.

The lion's share of the turnover in London is on the Stock Exchange's automated Seqen international system.

Mr Thom Hoedemakers, a spokesman for the Amsterdam stock exchange, says the exchange aims to reduce London's market share to around one-quarter from its current position of one-third. The new



Amsterdam's old-fashioned system of jobbers will be abolished

systems, which come into operation on October 1, will effectively divide Amsterdam into two markets, one for wholesale business and the other for retail investors, who own around 40 per cent of Dutch equities.

The stock exchange will offer the wholesale market two systems, an order-driven and screen-based trading system

wholesale market, they are likely to trade mainly in the retail market. Senior managers at leading stockbrokers in London, which are also members of the Amsterdam Stock Exchange through their Dutch subsidiaries, say the removal of the central role of the jobbers is the most sensible feature of the reforms. "There will be a greater incentive to trade, or report trades, in Amsterdam as a result," says the head of European trading at a leading UK bank.

Brokers warn, however, that the diverse trading systems which Amsterdam has put in place must quickly prove that they can produce more competitive prices than London, since the flow of order-driven business will always be dictated by price. Some point out, for example, that prices on Asset are likely to be even less firm than on Seac.

In addition, they believe that Amsterdam will have difficulty in recouping business in the large Dutch stocks, such as Royal Dutch and Unilever, since they have been trading on an international basis for such a long time. However, they say that the exchange will have a far higher success rate in attracting back business in secondary stocks, such as Aegon or Ahold, which are also actively traded in London.

Poor trend continues at Heinz

By Frank McGurty in New York

H.J. Heinz said sales slumped in the final three months of its fiscal year to April 1, as the US food group continued a string of disappointing performances. The company, headed by Mr Tony O'Reilly, the Irish businessman, also showed a sharp decline in underlying earnings.

Mr O'Reilly and Mr Bill Bevins, chief executive of New World, approached Mr Tartikoff about the job after forming their alliance with Fox.

Mr Tartikoff said he had been impressed by the vision they shared of the changing television world, their financial resources, and their access to 40 per cent of US homes through the Fox deal.

cent deterioration in sales volume, after two consecutive quarterly gains.

The decline in the three months partly stemmed from a failure to revive its Weight Watchers businesses during the January and February period.

Net income amounted to \$129m, or 51 cents, against \$168m or 27 cents, a year earlier. However, the restructuring charge reduced the 1993 result by 43 cents a share.

Nevertheless, at the operating level earnings of \$200.3m represented a big decline from the previous year, if a \$192m restructuring charge is added back to the 1993 results. With the provision held out, Heinz earned \$64.3m a year

ago at the operating level.

The comparison would have been even more unflattering if the company had not reduced selling, general and administrative expenses by more than 7 per cent from the year-earlier period.

Net income amounted to \$129m, or 51 cents, against \$168m or 27 cents, a year earlier. However, the restructuring charge reduced the 1993 result by 43 cents a share.

For the year, net income was \$602.9m, or \$2.35, including gains of 24 cents on disposals, against earnings of \$396.3m, or \$1.53, including a provision of 45 cents for restructuring and a charge of 51 cents to reflect accounting changes.

Two Mexican financial groups plan to merge

By Ted Bardsley
in Mexico City

Two of Mexico's largest financial groups, Grupo Financiero Serfin and Grupo Financiero Inverlat, plan to merge in a move that will create the country's second-largest bank.

The merger plan, which has been approved by shareholders, will begin a process of full integration between the two groups, which control the Serfin and Comerica banks.

The new institution will have assets of about \$36bn, placing it just above the current second-placed bank, Bancomer.

NOTICE TO THE HOLDERS OF US\$ 500,000,000 CS HOLDING FINANCE B.V.

(incorporated with limited liability in The Netherlands)

4 1/8% Subordinated Convertible Bonds, Due 2002

Guaranteed on a Subordinated Basis by,
and convertible into Bearer Shares
of CS Holding, Zurich

(incorporated with limited liability in Zurich, Switzerland)

The Annual General Meeting of Shareholders of CS Holding held on 30 May 1994 resolved to conditionally increase the company's share capital by an amount not to exceed Sfr 204,974,320 nominal to secure the issue of

24,223,280 shareholder warrants series IA
and
50,962,596 shareholder warrants series NA

to be offered to the existing shareholders.

In accordance with condition 7 (b) (B) of the Terms and Conditions of the Bonds, the current conversion price per share of Sfr 442.45 (notice of 28 December 1993) will be reduced by Sfr 10.45 to Sfr 432.00 with effect from 7 June 1994.

Each US\$ 5,000 principal amount of Bonds may now be converted into 15 CS Holding bearer shares, with a par value of Sfr 100 (ISIN CH 000 146 249 5), and a Cash Adjustment of US\$ 242.29 (corresponding to Sfr 330.00 at an exchange rate of Sfr 1.362 per US\$ 1 = US\$ 242.29).

Zurich, 16 June 1994

For CS Holding:
CREDIT SUISSE

4 1/8% CS Holding Finance B.V.
Subordinated Convertible
US\$ Bonds 1992-2002

Swiss Securities Number S36 802
ISIN CH0005368029
Euroclear 4046196
Cedel XS0040461963



ILVA SpA IN LIQUIDATION
IRI GROUP

Invitation to submit indications of interest in the acquisition of
Ilva Servizi Energie Srl

Ilva SpA in liquidation ("Ilva"), with fully paid-up capital of Lit 900 billion and registered office in Rome, Viale Castro Pretorio 122, registration nr. 56/67, is soliciting indications of interest in the outright acquisition of the share it owns and has available of Ilva Servizi Energie Srl (hereinafter together with its subsidiaries "Ilva Servizi Energie" or the "Company"). Ilva Servizi Energie has a fully paid-up capital of Lit 192.02 billion and registered office in Genoa, Muria di Santa Chiara 1, registration nr. 56785.

Ilva owns 98.96% of Ilva Servizi Energie's capital. As a consequence of an option on 25% of the Company's capital held by Ilva Laminati Piani SpA and expiring on 31 December 1994, the available share currently being disposed of by Ilva is of 73.96%.

Meridiana Finanza SpA ("Meridiana Finanza") has been appointed as exclusive financial adviser to Ilva in relation to the sale of Ilva Servizi Energie; all enquiries should be addressed to:

Mr. Sebastiano Strumia or Mr. Giovanni Ortolani

Meridiana Finanza SpA

Via del Gesù, 62

00186 Rome - Italy

Telephone: +39 - 6 - 699 12 21 / Telefax: +39 - 6 - 699 12 27

Ilva Servizi Energie is the second largest independent power producer in Italy. It owns and operates three thermal power plants with a total capacity of 583.5 MW, two turbogenerators with a total capacity of 15 MW and four hydro-power plants with a total capacity of 62.4 MW. Through a transaction distinct from the one contemplated herein, the Company is in the process of selling its wholly owned hydro-electric subsidiary Ilva Centrale Elettrica SpA which in turn owns and operates three hydro-power plants located in the Valle d'Aosta region. Further to such disposal the Company's hydro-power capacity will decrease to 7 MW while total installed capacity will amount to 606 MW. In addition, Ilva Servizi Energie is currently developing a new 505 MW combined cycle gas turbine power plant in Taranto, Apulia.

Indications of interest may be submitted only by limited liability companies or other corporate entities with the exclusion of intermediary or fiduciary companies and individuals. In the event that several entities co-own the interest jointly in the acquisition, such group should be represented by a sole agent and each party should individually meet the above requirements.

Interested parties should submit their indications of interest in writing or by telefax to Meridiana Finanza by 23rd June 1994; Meridiana Finanza will subsequently send to qualified respondents a copy of the admission form to the sale process, a description of the sale procedure and a copy of the confidentiality agreement which recipients will have to return duly executed to obtain copy of the information package, all such documents being in English. Completed admission forms and confidentiality agreements shall be returned to Meridiana Finanza by 28th June 1994. Ilva reserves the right to admit to the sale process, to its sole judgement and without explanation, only those companies which demonstrate adequate resources for the acquisition.

Ilva reserves the right, in its sole judgement and without explanation, to admit interested parties to, or exclude them from, the sale process and, should it begin negotiations, to withdraw from them and to consider indications of interest as well as indicative or binding offers received after the set deadlines without prejudices and liabilities.

This announcement is an invitation to submit indications of interest in the acquisition and does not represent an offer to the public ex art. 1336 of the Italian Civil Code nor a solicitation of public savings ex art. 1/18 of Italian law nr. 216 of 7th June 1974 as amended. This announcement and the ensuing indications of interest are and will be governed by the laws of the Republic of Italy; any controversy arising therefrom shall be subject to the exclusive jurisdiction of the Courts of Rome. The text in Italian of this announcement appearing in Italian newspapers shall prevail over this translation.

DEVELOPMENT FUND OF ICELAND (FRAMKV/AEMDASJODUR ISLANDS)

(Established under the laws of the Republic of Iceland)

U.S.\$35,000,000

Floating Rate Notes 1997

Retractable at holder's option in 1995
Notice is hereby given that the rate of interest has been fixed at 5.25% and that the interest payable on the relevant interest Payment Date December 16, 1994 in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$2,668.75.

June 16, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

BRADFORD & BINGLEY

200,000

INTERNATIONAL COMPANIES AND FINANCE

Australian group faces A\$445m break-up bid

By Nikki Tait in Sydney

A A\$445m (US\$324m) break-up bid was launched last night for Foodland Associated, the troubled Western Australian retail, wholesale and property group.

Mr Graeme Hart, a New Zealand entrepreneur, is joining forces with Australia's Coles Myer to acquire and then divide the company.

The bid is being made by Rank Commercial, Mr Hart's private company, and is pitched at A\$6.27 a share. It is conditional on a minimum acceptance level of 75 per cent, and on approvals from Australia's Foreign Investment Review Board and the Trade Practices Commission, the competition watchdog.

The TPC said it would "closely examine" the offer, paying particular attention to the role of Coles Myer. Coles is one of Australia's biggest retail groups.

Mr Hart, a former truck-driver who has built his fortune by buying a series of companies at knock-down prices, is believed to be one of New Zealand's wealthiest individuals. His Rank company already owns a 14.9 per cent interest in

Foodland, most of which was acquired from a single institutional shareholder last month.

If the offer is successful, Rank says its aim is to spin off Canada's Placer Dome, to go ahead with a A\$155m (US\$113m) development of the Osborne copper/gold deposit in north-west Queensland.

The deposit, which lies 185km south-east of Mount Isa, will be mined at first by open-pit methods. However, during this initial eight-month period, Placer plans to develop an underground operation, which it says should have a 10-year life. The mine is due to come into operation in July 1995.

Over the total mining period, therefore, average annual production is estimated to be 25,000 tonnes of copper and 37,000 oz of gold. Total production over the mine's life would be around 324,000 tonnes of copper and 416,000 oz of gold, with a gross metal value of A\$1.2bn. Life-of-mine cash costs are projected to be 63 US cents per pound of copper, including gold credits, Placer said.

Shares in Western Mining Corporation, one of Australia's largest mining companies, gained 3 cents to A\$0.44 yesterday, after the group confirmed that early-stage exploration work on the Philippines-controlled island of Mindanao, has found copper/gold mineralisation.

The company, however, points out that in spite of the difficulties, it has consistently reported profits since 1986

Placer unit to develop Osborne deposit

By Nikki Tait

Placer Pacific, the Australian group which is controlled by Canada's Placer Dome, is to go ahead with a A\$155m (US\$113m) development of the Osborne copper/gold deposit in north-west Queensland.

The deposit, which lies 185km south-east of Mount Isa, will be mined at first by open-pit methods. However, during this initial eight-month period, Placer plans to develop an underground operation, which it says should have a 10-year life. The mine is due to come into operation in July 1995.

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Israeli carrier seeks to spread its wings

Privatisation and peace could help El Al develop new markets, reports Julian Ozanne

Israel's decision to sell El Al, the country's state-owned airline, to the public by December marks a critical turning point in the company's history and a landmark in the government's creeping privatisation programme.

Earlier this month the cabinet decided to sell at least 51 per cent of the airline through a flotation in Tel Aviv and New York. Israeli law prohibits the sale of more than 25 per cent of the capital of a strategic company to foreign investors, so the remaining 26 per cent stake must be held by Israeli nationals. The government will also keep a golden share to protect what it considers is a vital national interest.

Before privatisation the government will have to appraise the company's value, take the company out of receivership, appoint a new board of directors and make provisions to restructure the employees' compensation fund.

Israel's finance ministry has appointed two consortia of consulting and accounting firms to carry out separate valuations which are expected to be finished by August. Among the participants in the consortia are Barclays de Zoete Wedd, Ernst and Young, and Mercer.

The government intends to issue a prospectus in October or November and appoint underwriters later.

The airline, proud of an unbroken eight-year profit record in spite of the recent recession in the global airline business, is looking forward to privatisation as a way to increase efficiency,

take it out of a 12-year-old receivership, and to develop new markets in east Asia. Although it has been in receivership, the airline has been granted considerable financial autonomy while operating within a government-imposed legal framework.

However, some significant obstacles

in the face of stiff competition and global recession. Profits in 1992 were \$31.5m and are expected to be \$10m-\$12m for 1993. El Al says the reduction in profits last year, in spite of an 8 per cent increase in passengers carried, is a result of mounting competition and considerably reduced yields from tick-

etive regional peace will allow El Al to fly over the 21 Arab states which ban the airline, slashing flight times to Asia. Such a development could make Ben Gurion airport a regional hub for traffic from the US and Europe to the Indian sub-continent and Asia.

Although the long-term looks promising, short-term profitability will depend on what the government deals with the sabbath prohibition and security costs. Mr Kleinman says the sabbath flight ban costs El Al \$40m profit a year, because the airline only operates five-and-a-half days a week but incurs costs as if it was operating seven days. Under the ban, introduced in 1982 after considerable pressure from religious political parties, no El Al aircraft is allowed to fly in the air between dusk on Friday and dusk on Saturday.

"When the government ceases to own El Al it will become, in Israeli law, a mixed company and the government will not be able to interfere in its business decisions," said Mr Yossi Nitzani, head of the government companies authority. "Then the board of directors will have to take the decision about sabbath flights on the basis of business principles."

The other decision the government cannot avoid is whether it will continue to meet 80 per cent of El Al's security costs. Any change in the government support will immediately affect profitability, although the introduction of a security tax is one option under consideration.

Begemann wants speedy DWA deal

By Judy Dempsey in Berlin

The Netherlands-based Royal Begemann group wants to complete the purchase of Deutsche Waggonbau (DWA), the east German rolling-stock manufacturers, "as soon as possible" in order to create an integrated group of trains, trams and underground systems, Mr Joep van den Nienhuijzen, the Dutch group's chairman said yesterday.

On completion of the deal, Begemann intends eventually to list DWA on the stock exchange.

After 18 months of negotiations with the Treuhand privatisation agency, said the preliminary agreement reached with the agency earlier this week has paved the way for Begemann to acquire 74.8 per cent of DWA's shares. The remaining 25.1 per cent will be held by the Treuhand which will have the option of selling its stake on the market.

Mr van den Nienhuijzen would not disclose the proposed purchase price, or the number of jobs it would guarantee, but said the deal was a "straight cash transaction".

Consolidated profits for the DWA group, one of the last of the large east German enterprises to be privatised, were DM23.3m (\$13.5m) on a turnover of DM3.5bn in 1992. It employs 7,300 in its eight subsidiaries.

Begemann wants DWA to complement its operations.

as a result of price-cutting.

Mr Nachman Kleinman, a company spokesman, believes that in spite of the squeeze on profits the airline's future looks healthy. Next year the company will take delivery of another 747 and will begin evaluating the potential candidates to replace the Boeing 767 for intermediate flights.

Expansion of El Al's 47 destinations is also under consideration. In the past two years the company has started flights to Beijing and Bombay/Bangkok, and is looking at flying to Hong Kong, Seoul and Japan.

Corporate analysts in Israel say the way the government decides to overcome these difficulties will determine how attractive an investment El Al will be to foreign and local investors.

The company, however, points out that in spite of the difficulties, it has consistently reported profits since 1986

in the Netherlands, Belgium and Switzerland. Last year it had a turnover of Fl 300m (\$16.2m) and a net profit of Fl 6m.

Begemann, which wants to complete negotiations with the Treuhand before next October's state and federal elections in Germany, also intends to revive DWA's exports to Russia.

Until German reunification, DWA was dependent on markets in the former Soviet Union and eastern Europe. These markets collapsed after German monetary union. Since then, Russia's sharply decreased purchases from DWA have been partly financed by Hermea, the German export credit guarantee facility.

However, in an attempt to dampen expectations stemming from several earlier collapsed talks, the Treuhand said it was continuing to negotiate with other companies. "It is not in the bag yet," a spokesman for DWA's branch in Görlitz, Saxony said.

Tata Tea reports 13% profit rise

By Kunal Bose in Calcutta

Tata Tea, India's biggest plantation company, yesterday announced a 13.15 per cent increase in pre-tax profits to Rs85.4m (\$27.1m) from Rs75.7m for the year ended March 31.

Turnover totalled Rs4.36bn, against Rs4.12bn in the previous 12 months. Earnings per share were up at Rs18.67 (Rs17.18) while the dividend has been maintained at Rs8 a share.

The management has recommended a 10 per cent increase in the ratio of one new share for every two held. According to Mr K.K. Krishna Kumar, managing director, the outlook for the current year appears "somewhat clouded" due to lower export demand for tea and higher production.

Tata Tea is a significant exporter of tea. Its total export income last year rose to Rs910m from Rs660m.

Finnish steel producer swings back to black

By Hugh Carnegy in Stockholm

prices in both export and home markets.

Rautaruukki, which concentrates on flat steel products, said the growth in demand was expected to continue in Finland and Scandinavia, where economic recovery is under way after several years of recession.

Prices were also expected to go on rising, although the pace of increase was slowing. Profits growth would depend partly on lower financing costs and cost savings.

The group raised FM792m earlier this year through a global share offering, which led the Finnish state's holding in the company to drop to 68.7 per cent from 81.1 per cent.

Almost 16 per cent of Rautaruukki is now owned by foreigners. The share issue had increased the group's equity ratio to about 30 per cent, the company said.

BZW role in airports sale

BZW, the UK-based investment bank, has been given the job of advising the federal government taskforce which is looking into the potential privatisation of Australia's Federal Airports Corporation, writes Nikki Tait.

Although the possible sale has been widely flagged as one potential buyer - the government has yet to decide how to proceed. There are 23 properties involved, ranging from international airports to small domestic "general aviation" centres.

The taskforce is looking for a buyer for BZW, which was yesterday welcomed by Mr Christopher Bergner, prime minister of Saxony-Anhalt.

The sale, which ends of three years of uncertainty about the ability to find a buyer for BZW, was yesterday welcomed by Mr

Christoph Bergner, prime minister of Saxony-Anhalt.

number of jobs it would guarantee, but said the deal was a "straight cash transaction".

Consolidated profits for the DWA group, one of the last of the large east German enterprises to be privatised, were DM23.3m (\$13.5m) on a turnover of DM3.5bn in 1992. It employs 7,300 in its eight subsidiaries.

Begemann wants DWA to complement its operations.

"We need DWA's coaches and freight wagons for our traction and electrical installations and control systems. There will be no overlap on the manufacturing side... Our rail group will become a subsidiary of DWA, thus giving the east German company a wide degree of independence," Mr van den Nienhuijzen explained.

The rail group, which employs 1,200, has subsidiaries

N.V. Union Minière, S.A.



Union Minière has sold Union Mines, Inc., a Tennessee-based zinc mining business, to Savage Resources Ltd. for a consideration of \$US 200 million.

The Rothschild Group advised Union Minière on the divestment.

Rothschild Australia Ltd.



Affiliated companies in London, Paris, Frankfurt, Milan, Hong Kong, Singapore, Sydney, Tokyo, Shanghai, Toronto, Santiago.

Rothschild Inc. New York



N.V. Vandemoortele International

Information for holders of certificates

In the General Meeting of shareholders held on June 14, 1994, it was decided to pay a gross dividend of Bfr. 240 per certificate over the year 1993.

The net dividend of Bfr. 178 per certificate will be payable at the office of F. van Lanschot Bankiers N.V., Hooge Steenweg 29, 's-Hertogenbosch, and at the office of F. van Lanschot Bankiers (Luxembourg) S.A., 3 Boulevard Prince Henri, Luxembourg, as from June 16, 1994 against delivery of the dividend coupon nr. 6 of the certificates of privileged shares.

Stichting Administratiekantoor van Bevoordeerde aandelen van N.V. Vandemoortele International Hooge Steenweg 29, 's-Hertogenbosch

June 15, 1994

SIGA SOCIETE GENERALE ACCEPTANCE N.V.

REVERSE FLOATING RATE NOTES DUE DECEMBER 17, 1997

For the period June 15, 1994 to September 21, 1994 the new rate has been fixed at 5.50% P.A.

Next payment date: September 21, 1994

Coupon nr. 16

Amount: FRF 149,72

for the denomination of

FRF 10 000

FRF 149,72

for the denomination of

FRF 100 000

Notice is hereby given that pursuant to paragraph "Purchase and Redemption" (d)

"Redemption at the option of the Noteholder", of the terms and conditions of the Notes, no Notes have been presented for redemption on the Inter-

Payment Date falling on

June 15, 1994.

Nominal amount outstanding after

June 15, 1994:

FRF 451,140,000

The Principal Paying Agent

SOCENAL

SOCIETE GENERALE

GROUP

15, Avenue Emile Reuter

LUXEMBOURG

Standard Chartered PLC

(Formerly known as Standard Chartered Bank)

US\$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 16th June 1994 to 12th July 1994 the Notes will carry interest at the rate of 5.0625 per cent per annum.

Interest accrued to 12th July

INTERNATIONAL CAPITAL MARKETS

Europe battered as long buyers continue to lay low

By Conner Middemann and Graham Bowley in London and Frank McGuire in New York

European government bonds were once again whipped around in volatile trading conditions, ending mostly lower as investors continued their "buy-out" strike".

The market has become dominated by short-term traders, with most long-term investors laying low. "The real investors are sidelined; they're very nervous, and aren't sure what represents value," said a London trader. "Most of the people currently active in the market have a very short-term time horizon, which adds to the volatility."

Data showing steady economic growth with low inflation brought an improved tone to the gilts market, helping it outperform most other Euro-zone markets.

However, gilts shed much of

their early gains in later trading as weakness in the US Treasury market dragged them downwards.

US average earnings rose at an annual rate of 3.75 per cent in April, down from 4 per cent in March. Investors had feared

GOVERNMENT BONDS

it might rise to 4.25 per cent in April.

Short-dated bonds in particular benefited from the news, outperforming medium and long-dated gilts. Traders reported the first buying in the cash market for some time, as well as demand from overseas investors and switching into gilts from German bonds.

However, analysts said further rises in gilts were limited ahead of Friday's Bank of England announcement on the details of its next gilt auction.

Gilts fell sharply in early

trading due to weakness in the German market. The long gilt future was up 1 point at 100.6 in late trading.

■ German government bonds ended a choppy session down about 1/2 point. The Bundesbank's widely-expected cut of five basis points in the securities repurchase rate did little to lift sentiment, and bonds were pushed sharply lower early in the day by a large sell order of September bond futures. There was talk of a big US house selling 15,000 bond futures contracts on behalf of a

customer.

The September bond contract ended around 91.74, down 0.58 points and only slightly above its 91.58 intra-day low.

■ French bonds slightly outperformed Germany, although its upside was limited by the prospect of new supply today, with the Treasury due to issue

FFR15bn-FF20bn of two- and five-year notes, or Btans. While traders have reported recent demand for shorter-dated paper, the market is expected to weigh on prices.

Moreover, some large French investment funds, or Sicav's, have been seen liquidating holdings in the French bond market as their clients pull out, seeking to prevent further losses.

The September notional French bond futures contract on Matif closed at 115.40, down 0.16 point on the day.

■ Italian bonds took another tumble, falling by more than a point on continuing concerns about the budget deficit, which have been exacerbated by a recent constitutional court ruling requiring the government to repay pension benefits.

The government's auction of L1,000bn of 10-year bonds didn't help sentiment, yielding an average gross 10.40 per cent.

well above the 9.99 per cent yield of the last auction in May. The September BTP futures contract on Liffe fell by 1.79 points to 104.16.

■ US Treasury bonds softened in erratic trading yesterday morning, even though a fresh batch of economic news had produced no surprises.

By midday, the benchmark 30-year government bond was 4/8 lower at 87.4, with the yield climbing to 7.318 per cent. At the short end, the two-year note was unchanged at 100.4, to yield 5.77 per cent.

Earlier, bonds across the spectrum posted modest gains as the market followed through half-heartedly on the previous session's favourable May consumer price inflation news.

Tuesday's data had encouraged the view that the Fed would hold off on its next money tightening until the end of the summer. That scenario

was buttressed yesterday by Mr Lawrence Lindsey, a central bank governor, who told the Market News wire service that monetary policy was now "within the neutral range".

The morning's economic news did nothing to alter the perception that the economy had slowed sufficiently to allow the Fed to give bonds some breathing space. The central bank reported that industrial production had risen 0.2 per cent, while capacity-utilisation, a key indicator of future inflation, slipped to 83.5 per cent from 83.6 per cent. Both figures were just a little stronger than expected.

However, if Mr Lindsey's remarks were meant to reassure the market, their effect was short-lived. His Fed colleague, Mr John LaWare, warned in a second Market News interview that the economy had reached "full employment", a point at which wage pressures are likely to mount.

Swift seeks to lift membership with lower fees

By John Gapper, Banking Editor

was cut to BFr400,000, while the fee for financial institutions such as broker-dealers and asset managers to become "sub-members" was cut to BFr200,000.

Swift is facing competition in the market for low-value cross-border payments from systems such as ibos, developed by Royal Bank of Scotland and Banco Santander. It has been forced to restructure and cut costs.

Mr Francis Remacle, vice-president for sales, said Swift saw securities transactions, including settlement and securities custody, as an important growth area, and had cut fees to encourage smaller users to join.

He said that between 6 per cent and 7 per cent of the 457m Swift messages last year related to securities rather than cash, compared with 3 per cent two years ago.

Swift's revenues fell to \$280m last year from \$33m the previous year, after cuts in tariffs.

Open-ended emerging markets fund from F&C

By Antonia Sharpe

However, the daily dealing at net asset value, and the increased liquidity provided by the open-ended structure, should appeal to investors wanting more efficient and less risky access to markets which are intrinsically volatile. The Luxembourg-listed fund will follow the asset allocation models used by F&C.

The launch period for the shares, which are priced at \$10 each, runs until July 1. The minimum investment is \$5,000.

Republic of Austria deal tests demand for short paper

By Tracy Corrigan

The Republic of Austria's \$600m offering of two-year eurobonds yesterday tested retail demand for short-dated dollar paper, after a spate of recent offerings.

For Swiss retail investors and fund managers, short-dated dollar paper appears a safer bet than more volatile longer maturities, while the yield pick-up over bank deposit rates of about 1/4 points makes a slight extension of maturity, for a relatively small increase in risk, attractive.

The 6 per cent coupon – even though it meant setting the reoffer price at a slight premium to the par value of the bonds – was necessary to attract retail investors, according to lead manager Goldman Sachs.

However, there has already

been a heavy flow of two-year issues, and some dealers said there was a finite pocket of demand for such paper. "The paper will take some time to play, but Austria is one of the supreme retail names for Swiss

INTERNATIONAL BONDS

investors," said one dealer at a Swiss bank.

For the Republic of Austria, the financing replaced a Schulz's auction of five-year notes in the domestic market, cancelled on Tuesday due to the Federal Financing Agency's dissatisfaction with the level of bids received from Austrian banks. The agency had already changed from a two-year to a five-year auction on the advice of the banks.

As a result, the decision was taken to cancel the auction. To accept such a level of bids "would have been [to send] the

Austrian government bonds had suffered in the run-up to last week's referendum on whether to join the European Union. Yield spreads over German bonds, which had been trading in a range of between 20 and 40 basis points, widened to 55 basis points.

However, following the positive result of the referendum, the market improved, and the agency was expecting to receive stronger bids at the auction. In the event, the bids submitted by the banks were around 65 basis points over bond yields, perhaps because banks were nervous about taking on more inventory after suffering losses in the bond market the previous week.

As a result, the decision was taken to cancel the auction. To accept such a level of bids "would have been [to send] the

wrong signal to the Austrian bond market", said Mr Hans Kernbauer, a managing director of the Austrian Federal Financing Agency. In any case, "it was always part of our financing programme that we

should tap the foreign markets in the course of this year". The chance to launch a dollar deal of two years – the maturity originally planned for the auction – provided funding at a lower cost, he said. The deal was swapped into fixed-rate D-Marks, and the financing was cheaper than could have been achieved by tapping the euro-D-Mark sector directly.

Elsewhere, the European Investment Bank launched a FFr15m five-year deal in the French domestic market.

Foreign & Colonial, the investment management group, is launching an open-ended fund which, it says, will provide investors with a diversified exposure to emerging markets. F&C, which already has a £130m closed-end emerging markets investment trust, has not set any firm targets for the new fund, in view of the downturn in emerging markets.

The launch period for the shares, which are priced at \$10 each, runs until July 1. The minimum investment is \$5,000.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	9.00	09/04	101.0400	+0.60	8.84	8.94	8.93
Belgium	7.250	04/04	95.2000	-0.40	7.07	7.37	7.35
Canada	8.500	05/04	83.4500	-1.00	9.08	8.88	8.25
Denmark	7.000	12/04	92.4000	-0.15	8.09	7.99	7.16
France	8.750	04/04	95.1000	-0.10	8.52	8.62	8.52
Germany	8.750	04/04	96.1000	-0.20	8.20	8.25	8.00
Italy	8.500	01/04	88.4100	-0.90	9.20	9.30	9.02
Japan	14.800	08/04	105.4120	+0.040	3.68	3.50	3.16
No 116	12.250	04/04	102.0000	-0.05	4.00	4.20	3.70
Netherlands	8.750	01/04	88.3000	-0.10	9.18	9.05	8.55
Spain	10.500	10/03	100.9200	-0.80	9.32	9.36	9.44
UK Gilts	8.000	06/04	91.11	+16.23	9.08	9.05	7.55
	8.750	11/04	86.00	-7.62	8.55	8.33	7.90
US Treasury	9.000	10/08	103.23	+10.35	8.54	8.50	8.03
Ecu	9.000	04/04	92.8000	-0.05	7.22	7.20	7.00
ECU (French Drachma)	9.000	04/04	87.5700	-0.40	7.22	7.23	7.30

London closing: New York mid-day. * Gross including withholding tax at 12.5 per cent payable by nonresident. ** Yield to 30 years, otherwise to 10 years. *** Yield to 30 years, otherwise to 10 years. **** Yield to 30 years, otherwise to 10 years. ***** Yield to 30 years, otherwise to 10 years. Source: MMIS International

US INTEREST RATES

Lunchtime Treasury Bills and Bond Yields

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
One month			9.98		10.00		5.75
Two month			9.98		10.00		5.75
Three month			9.98		10.00		5.83
Four month			9.98		10.00		5.83
Five month			9.98		10.00		5.83
Six month			9.98		10.00		5.83
One year			9.98		10.00		7.01

Source: MMIS International

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Sep 94	115.40	-0.18	115.50	115.30	262,000	113,000	
Dec 94	115.84	-0.10	115.94	115.70	1,700	6,000	
Mar 95	114.02	-0.14	114.02	114.02	2	0	

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

	Strike	Calls	Puts	Open Int.

<tbl_r cells="5" ix="4" maxcspan="1"

COMPANY NEWS: UK

Non-core losses hit Thames Water

By Brown Meddix,
Environment Correspondent

Thames Water, the largest of the privatised water companies, announced a 4 per cent fall from £251.3m to £241.7m in pre-tax profits for the year to March 31, after losses in contracting and restructuring costs.

Turnover rose from £1.04bn to £1.09bn, including £22m from acquisitions.

There was an exceptional charge of £35m. Losses on Egyptian contracts acquired in 1988, which were revealed at the half-year stage, cost £25m. Restructuring non-core companies in the UK, US, Germany and Asia also produced one-off costs.

Sir Robert Clarke, who has just taken

over as chairman, said yesterday: "The situation is now completely clean and clear."

Overall the non-core businesses, on which Thames has spent some £170m in acquisition costs and investment, incurred a pre-tax loss of £40.5m.

International and process contracting businesses suffered from poor economic conditions abroad, with a fall in turnover to £120m (£122m). Sir Robert said: "Conditions have been particularly difficult in Germany. The east German economy has not exactly been buoyant."

Turnover in products and services rose to £105m (£92m) partly because of the addition of businesses acquired from Simon Engineering, although UK

industrial demand continued to be weak.

With commercial and industrial demand for water services also weak, turnover in the core business rose 7.5 per cent to £272m (£211m) by price increases.

Excluding depreciation and infrastructure renewal, operating costs in the utilities arm rose by 0.7 per cent. Like other large water companies, Thames has continued to reduce staff numbers, which fell by 4.8 - 6.8 per cent - to an average 6,683 during the year.

However, the capital spending programme to modernise the infrastructure and meet new environmental regulations and which absorbed £35m last year, also pushed up depreciation in the

core business to £73m (£60m) and group net interest charges to £44.5m, compared with £29.9m.

Net debt at the year end was £571m (£51.6m), for gearing of 37 per cent (31 per cent).

Although earnings per share fell by 4.4 per cent to 58.8p, compared with 59.3p, dividends are increased by 7 per cent to 22.5p (21p) with a recommended final of 15.1p.

In the present year, Thames expects its non-core businesses to break even after paying for acquisition costs, and said its order book was running at more than £150m. Sir Robert said: "The recession is not completely over but there are some glimmers of improvement."

See Lex

Allders rises to £12m

By Maggie Utley

Maiden interim results from Allders, the department store and tax and duty free retail group which floated last year, showed a strong advance in profits.

Pre-tax profits rose from £9.5m to £11.7m in the half-year to March 31.

The shares, which were priced at 170p last October, closed up 3p yesterday at 227p.

Lord Prior, chairman, backed up the numbers with an optimistic statement saying "conditions in all our markets are better than we have experienced for several years".

An interim dividend of 22p is 8 per cent higher than the

level indicated in the prospectus, which said the 1993 dividend would have been 6.1p, with one third paid in the first half.

Group sales in the six months rose 10 per cent to £367m, and operating profits increased from £10m to £12.1m.

An extra trading week in the comparable period added £1.2m to department store operating profits, while the current year benefited from a £700,000 write back of an over-conservative provision made for flotation costs. The underlying rise in profits was 14 per cent.

Interest charges fell from £1.1m to £400,000. Earnings per share were 5p (7.7p).

The first half includes the

Southern Business shares dive 32p on cautious outlook

By Simon Davies

Shares in Southern Business Group, the photocopier and vending machines supplier, dived by 32p to 42p after the company announced a sharp fall in interim profits.

Pre-tax profits for the six months ended March 31 fell by 56 per cent to £3.4m (£7.2m), and the company remained "cautious as to the trading outlook".

Analysts reduced full-year forecasts by up to 5m from the previous consensus of £12.5m.

The profits fall reflected disappointing sales and what the company described as a one-off £200,000 sales cost.

The photocopier supply industry was subject to an Office of Fair Trading report in March, which responded to concerns over long-term leasing contracts with a call for wide ranging changes in the industry.

SEG made a £3m provision for the renegotiation of contracts last year, and Mr David McErlain, chief executive, said the company had fully anticipated the report's recommendations.

No further provisions were considered necessary at the interim stage.

Turnover amounted to

£26.9m, down from £29.4m, reflecting an increasingly competitive market. Mr McErlain said sales were satisfactory for the first quarter, but in the second quarter they had collapsed inexplicably to about one quarter of their budgeted rate.

There was a short fall between sales levels and sales staffing costs, and consequently a sales cost of £200,000 has been included in the interim figures. This would usually have been capitalised as an intangible asset, to reflect the long-term revenues derived from each sale.

In addition, the shortening of some leasing contracts after renegotiation contributed to a £914,000 increase in amortisation costs.

Mr McErlain said market conditions suggested a likely consolidation within the industry. SEG would consider acquisitions, or a partnership with a major distributor, the company has cash balances of £4.3m.

Following the OFT report, contract and price expectations within the industry were being lowered. SEG now expects to achieve profit margins of about 15 per cent, half their level at the peak of the market.

Earnings per share dropped 56 per cent from 4.9p to 2.1p, but the interim dividend is maintained at 1.27p.

Placing puts £51m tag on Chesterton

By Simon Davies

Chesterton International has successfully placed 20.56m shares in spite of the stock market slump. However, the deal was priced at 100p, the minimum price under the company's agreement with existing shareholders who are selling through the offer.

The placing will value the property agency at £51.2m, making it marginally larger than its main listed competitor, Debenhams, Tewson & Chinnocks, which is valued at £50.7m.

Mr Giles Ballantine, chief executive, said: "We are genuinely very pleased." The company had targeted a flotation with a value of £50m and achieved it amid dwindling demand for new issues.

Based on forecast pre-tax profits of £5.1m, the shares are being issued on a p/e ratio of 14.1 and nominal gross yield of 4.13 per cent, based on the dividend that would have been paid had the company been listed for the year.

The pricing reflected the volatile nature of agency business, given the reliance on people rather than fixed assets, and the company provides greater stability through its focus on management fees, rather than brokerage commissions.

Chesterton was wholly owned by former and current employees, and of the placement shares, 12.25m have been sold by former employees or those within 2 years of retirement, while a further 3.3m have come from current employees.

A further 5m have been issued by the company, which will raise £4m net of expenses to help pay down its overdraft and provide funds for acquisitions.

A number of "significant" institutions have taken undisclosed stakes in Chesterton, via the private placing.

The issue was sponsored by Robert Fleming, with Société Générale Strauss Turnbull as broker.

Shares dealing will commence on June 23.

US authorities clear BT and MCI alliance

By Andrew Adonis

Conditions imposed by the US Department of Justice will oblige BT to publish the terms on which it sells its services to Concert, to prevent cross-subsidies. It is also prohibited from engaging in international simple re-sale - a form of competition using leased lines - until AT&T's application for a UK licence is approved by the UK government.

Mr Hepher said that Concert would be the first company able to provide a "broad range of single-source telecoms services to multinationals across the world". In addition to "one-stop" international private voice networks, Concert is offering data telecoms, messaging, electronic data interchange and video conferencing services.

The alliance between BT and MCI gives MCI prime responsibility for marketing services in the US, and BT responsibility for the rest of the world. However, the companies have pledged to respect existing agreements with other international operators.

AT&T last year launched itself into the market for multinationals with its Worldsource venture. AT&T has secured partners in the Asia-Pacific region, but has yet to forge a European alliance. It is in talks with Uisource, a joint venture between the state operators of Switzerland, Sweden and the Netherlands.

Mr Michael Hepher, BT managing director, said Concert had gained a "significant head start" over its rivals. "We are looking to build up large revenues while we have a clear only 9 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Cents - pending dividend	Total for year	Total last year
Allders	Int. 2.2	Aug 25	-	-	-
Bristol Water	Int. 22.4	Oct 3	20.7	33.5	31
British Thornton	Int. 3.5	Sept 14	2.5	8	5
Bordene Inv.	Int. 0.75	Sept 1	0.5	-	1.75
Drayton Recovery	Int. 4	July 29	4	-	8
Exmoor Dual	Int. 2.25	July 29	2.7	-	10.55
Hastis (CE)	Int. 11	Aug 5	11	16	16
London Elect	Int. 15.1	Aug 11	13.9	22.5	19.5
London Scot Bank	Int. 1.2	July 29	1.03	-	3.4
Marlboro Brow	Int. 3.15	Aug 17	2.35	4.4	3.95
Marston	Int. 4.05	Aug 8	3.95	5.95	5.4
Mountain East	Int. 12	Aug 15	12	22	22
NFC	Int. 1.51*	Oct 3	1.45	-	7
Sythen Business	Int. 1.27	Aug 11	1.27	-	3.72
Stirling	Int. 1.35	Oct 7	1.3	1.9	1.85
Thames Water	Int. 15.1	Sept 1	14.1	22.5	21

Dividends shown per share net except where otherwise stated. 10m increased capital. *Second interim; makes 2.8p to date.

Preliminary Results

for the year ended 31 March 1994

Profit before tax, before exceptional items, up 10% to £277m
Exceptional items of £35m
Profit before tax, after exceptional items, down 4% to £242m
Earnings per share before exceptional items up 11% to 65.8p
Earnings per share after exceptional items down 4% to 56.8p
Dividend per share up 7% to 22.5p

"The regulated Utilities business has had another excellent year, increasing operating profit by 16% to £317m. We have continued to manage tightly operating and capital costs. Our customers again benefited from the lowest average household water and wastewater bills."

Group results were affected by adverse factors in some of our other business divisions. We have included £35m for exceptional items; these were partly for losses on inherited contracts and partly for the cost of restructuring some of our companies to enhance further our ability to exploit changing market opportunities.

Our underlying trading performance is sound. The Board proposes to increase the final dividend by 7%."

Robert Clarke

Sir Robert Clarke
Chairman

Thames Water Plc 14 Cavendish Place London W1M 9DJ

The annual report will be posted to shareholders by 28 June 1994. Copies may be obtained after that date from the Investor Relations Manager at the above address. The final dividend will be paid, subject to approval at the AGM on 26 July 1994, on 7 September 1994.



Crédit Foncier Growth on target in 1993



Sales up 4%

1993, amid difficult economic conditions, will be remembered for the housing recovery plan and the overall decline in interest rates. Total loan authorisations were up 4% from 1992 at FF 41.5 billion, boosted by Crédit Foncier initiatives in housing loans.

Considerable government support for the property sector, particularly for subsidised home ownership and lending assistance loans, as well as the fall in the cost of money, helped the Crédit Foncier Group boost its home loan financing activity by 27% to FF 27 billion.

Lending to local authorities also grew 10% to FF 8.4 billion, bolstering Crédit Foncier's status as a lender of choice, with 10% of the market.

Nonetheless, recession provoked a significant drop in loans to property developers and industrial, commercial and tourist investments, which were down 44%.

Overall, Crédit Foncier's core activities - housing loans and financing for local authorities - contributed 85% to total loan authorisations, up from 72% a year earlier.

Total loans outstanding stood at FF 333 billion at 31 December 1993, up 4%.

Excellent refinancing conditions

The volume of funds raised in 1993 totalled FF 38.1 billion, including 57% from abroad. New issues were launched under excellent terms, amid falling long-term rates, attributable to Crédit Foncier's quality reputation.

Another highlight of 1993 was the highly successful public bond exchange offering and a FF 1.5 billion capital increase, underscoring shareholder loyalty and raising the European solvency ratio to about 10%.

Total dividend distribution: up 17%

Consolidated net banking income amounted to FF 5,348 million, up 16% on a comparable basis. In order to maintain a high level of risk coverage, provisions were increased due to the ongoing financial difficulties of certain private customers and a substantial number of property developers. Consolidated net profit increased 25% to FF 515 million.

1993 net profit for the Crédit Foncier parent company was virtually unchanged at FF 579 million compared with FF 595 million a year earlier.

Overall results did not escape the crisis in the property market, but reflect the Group's excellent ability to confront this situation.

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Votre allié dans le temps



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WANTED URGENTLY
UK
Commercial
Property

Perkins buys Dorman Diesels in \$50m deal

By Andrew Baxter

Dorman Diesels, one of the oldest and most famous names in the diesel engine industry, is being bought by Peterborough-based Perkins Group for about \$50m (£33.8m), including the cost of \$12m of debt.

The agreed deal, which is close to completion, has been under discussion for five months and is the most important ownership change in the UK diesel industry this decade.

It comes less than two months after Vartis, Perkins' US parent, sold the Massey Ferguson tractor business to concentrate on its core businesses of Perkins diesel engines and Kinsley-Hayes automotive parts.

Dorman, established in 1870, supplies high horsepower diesel engines for the power generation market and is also at the forefront of natural gas engine technology.

Part of English Electric in the 1960s, it was later absorbed into GEC, which sold it in 1987 to Broadcrown Group, a private company based in Stone, Cheshire.

Broadcrown would not comment on the sale yesterday, beyond calling it a "strategic disposal". Dorman, which has 650 employees worldwide, most

of whom are based at Stafford and Lincoln, has seen profits rise in recent years.

Pre-tax profits last year were about £2m, up turnover in excess of £15m. Perkins' sales last year were \$70m.

Perkins approached Dorman as part of its strategic plan to expand its product range, either through acquisitions and alliances, or through direct investment in new products.

"One of the real attractions of Dorman was its product range, which is the newest in its power band," said Mr Tony Gilroy, chief executive of Perkins.

Perkins offers engines from five to 1,000 bhp. The Dorman engines extend the range to 2,500 bhp and will enable Perkins to move quickly into power generation, a key growth sector of the diesel engine market, and natural gas engines.

The deal will also bolster Perkins' expansion plans in the placing price was 12.3p based on earnings per share for the year to March of 12.3p. The nominal gross dividend yield is 2.5 per cent.

Mr Pickthall said £2m of the money raised would be used to develop a new plant on Teesside to manufacture aroma chemicals. He said aromatic ingredients were an important growth area and the plant would develop the company's capacity.

Aromatic ingredients account for 40 per cent of group turnover, compared to 60 per cent from fragrance and flavours. In the year to March, pre-tax profits stood at £1.4m (£1.1m) on turnover of £17.3m (£14.8m).

The balance of the proceeds will be used for working capital. Mr Pickthall said priorities include developing the company's position in the own-brand market.

Wiseman jumps 61% to £5.13m

Robert Wiseman Dairies, the Scottish liquid milk processor and distributor, yesterday reported a 61 per cent jump in pre-tax profits from £2.15m to £13.1m for the year to April 2.

This was slightly ahead of the £13.0m forecast made at the time of its flotation in March.

Turnover rose 30 per cent to £59.7m. Mr Alan Wiseman, chairman, said the company enjoyed strong volume growth due to its position as a leading supplier to multiple retailers.

Competitive pressures arising from multiple retailers' fresh milk pricing policies had assisted volume growth at the expense of gross margin.

Earnings were 7.22p (4.58p) or 6.64p (6.14p) before exceptional and non-recurring items. No dividend is proposed, but interim and final payments are anticipated for the current year.

The company announced the sale of Gossesdale Farm, for £1.8m, which was recently acquired as part of the £3.1m purchase of Juronim, the parent company of Kennery Farm Dairies.

Attributable revenue for the

first new orders in the second half is encouraging but has not compensated for the income lost through the cancellation last October by Segal of a large order for display units," he said.

The educational and scientific furniture operation swung into the black with profits of £274,000 (losses of £217,000). The company plans further investment in capital equipment to enlarge capacity.

After tax at 24.8 per cent, reflecting losses brought forward from previous years, earnings per share improved to 11.4p (9.6p). A proposed final 3.5p lifts the total for the year by 1p to 6p.

British Thornton advances 60%

By Graham Deller

British Thornton Holdings, the packaging and specialist furniture group, lifted profits by 60 per cent from £1.32m to £2.11m pre-tax during the 12 months to April 30.

The advance was achieved on turnover of £10.3m (£9.74m), including £1.61m from the acquisition in September of Masterform, a manufacturer of packaging and display materials.

Mr Brian North, chairman, said, however, that Masterform's profits - it contributed just £1.00m at the operating level - had fallen well short of expectations. "Income arising

from new orders in the second half is encouraging but has not compensated for the income lost through the cancellation last October by Segal of a large order for display units," he said.

The educational and scientific furniture operation swung into the black with profits of £274,000 (losses of £217,000). The company plans further investment in capital equipment to enlarge capacity.

After tax at 24.8 per cent, reflecting losses brought forward from previous years, earnings per share improved to 11.4p (9.6p). A proposed final 3.5p lifts the total for the year by 1p to 6p.

Bristol Water higher at £8m

By Gary Evans

Bristol Water Holdings raised pre-tax profits by 18 per cent from £5.8m to £8.01m in the year ended March 31.

Turnover grew 15 per cent to £59.5m. The core water business accounted for £54.6m - a 6 per cent rise - largely benefiting from a permitted price rise of 4.5 per cent above inflation.

Fully diluted earnings per share rose to 7.8p (7.35p) and a final dividend of 22.4p is recommended for an increased total for the year of 33.5p (31p).

Attributable profits came out 3 per cent higher at £5.51m, some 55 per cent of which will be retained for reinvestment in the core business.

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Endowed with great natural beauty and much local talent and initiative, Madeira is poised to become one of the European Community's most exciting centres. Strategically placed within easy reach of the major Atlantic shipping routes, Madeira is your stepping stone into Europe and other international destinations.

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The island enjoys a mild mediterranean climate that has helped develop a thriving tourist industry over the last century. Still a major staging post for international cruise liners, Madeira's volcanic origins have produced spectacular contrasts in scenery and vegetation. The island is rightly famous for its wine, fine embroidery, flowers and today boasts a fast growing international shipping centre. Housing is readily available, to rent or purchase, with efficient services. The island also offers international schooling.



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Madeira's International Business Centre is managed and administered by SDM — Madeira Development Company, a private operated company that has the full support of the Autonomous Region of Madeira. The Madeira Development Company is committed to providing international companies, and those who work within them, with the finest standards of any offshore centre in the European Community.

For further information on

- Free Trade zone
- The Offshore Financial Centre
- International Services
- International Shipping Register

please contact



SDM — Madeira Development Company

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P. O. Box 4164 — 9052 Funchal Codex
Madeira — Portugal — Tel.: (351 91) 225466
Fax: (351 91) 228950 — Tlx.: 72271 SDM P

Free Trade Zone

All industrial and commercial activities are permitted within the limited area of the free trade zone, subject to the preservation of the natural environment and to the standard rules of public health and national security.

Offshore Financial Centre

Banks and financial institutions may establish offshore operations anywhere in Madeira. Such institutions may engage in foreign exchange operations free from domestic restrictions. Transactions may be carried out in any currency. Supervision of these activities shall be conducted by the Central Bank of Portugal.

International Services

Madeira welcomes international companies whose business is that of trading, management, invoicing, ship operating, holding and trusts. The granting of a licence to operate lies with the regional authorities.

International Shipping Register

Madeira now boasts an International Shipping Register — MAR. MAR offers the global shipping industry some of the most favourable and competitive conditions available today. All vessels registered will fly the Portuguese flag.

MARKET REPORT

Earnings data spur further advance in shares

By Terry Byland,
UK Stock Market Editor

Favourable news on domestic wage levels encouraged the UK stock market yesterday to retake the top of its latest trading range as both shares and bonds extended the gains of the previous session. Trading volume, and market attendance, was curbed by the effects of the national rail strike in the UK, and shares slipped back from their best levels as business died away towards the end of the day.

The FT-SE 100 Index edged above 3,050 in early trading as government bonds led the market's firm response to the announcement that UK average earnings growth had slipped to 3.75 per cent in April, while inflation, as measured by the retail price index, had remained

steady. By the close the gain on the FT-SE 100 had been cut to a net 6.2 for the day.

The FT-SE Mid 250 Index, still suffering from the aftermath of expiries of over-the-counter contracts, fell a further 19 points to 3,459.7, the second successive underperformance against the Footsie.

The stock market was restrained by adverse developments in the utility sectors, which have been the mainstays of the big investment funds during the period of bond market weakness.

British Gas fell heavily after the chief executive responded negatively to the Ofgas ruling on gas pricing. He warned that the ruling could force British Gas to "peg" its dividend next year, a prospect which hit the shares and also other utility stocks which have been

sought out for their dividend paying capacity. The sector took fresh pressure when Thames Water disclosed that it was making new provisions against some recent acquisitions.

However, these adverse pressures on market indices were counterbalanced by strength in Glaxo shares as news of the impending retirement of the chairman brought suggestions that Glaxo might now follow some of its European rivals

in seeking a major acquisition in the US.

After its prolonged period of watching the European bond markets, London refocused yesterday on the host of domestic economic data, and on prospects for tonight's speech in the City of London by Mr Kenneth Clarke, the UK chancellor of the exchequer. Little heed was paid to the modest reduction in money market repo rates in Germany, or to the dull response from European bond markets.

Although trading was picked up following announcement of the average earnings data, the final total of 3,042 reported business, at 562,300 shares, compared with 709,830 registered on Tuesday.

Some City professionals had arranged to work from home because of the national rail strike, and many others left their offices early yesterday afternoon. On Tuesday, retail business in equities jumped to a healthy £1.5bn.

Strategists commented that the City's fears of renewed inflation pressures have to some extent been calmed this week by the flow of economic data on both sides of the Atlantic. The expected poor showing of the UK Conservative party candidates in both national by-elections and the elections for the European parliament has fed hopes that the British government may cut taxes in order to restore its standing with voters.

At the same time, the sudden wave of nervousness over Federal Reserve policies was also seen to subside a little following favourable news this week on US retail sales and consumer prices.

Hopes of change at Glaxo

The retirement announcement from Glaxo chairman Sir Paul Girolami brought a flurry of excitement to pharmaceutical stocks, with speculation that his departure might be about to announce a major acquisition, following the path taken by SmithKline Beecham with its recent £3.8bn purchase of pharmaceutical benefit manager DPS.

Other drug companies were equally strong on the back of

Sir Paul's retirement was described as "the end of an era" by Mr James Culverwell at Hoare Govett, who added that Sir Paul epitomised an older style of drugs company, which concentrated on organic rather than acquisition-led growth.

However, Mr Culverwell was sceptical about the probability of an early purchase. "Glaxo's route is more likely to be with alliances and relationships with other drug companies, particularly in therapeutic areas," he said. Glaxo closed 22 higher at 365p following heavy turnover of 11m.

The report from Ofgas was equally strong on the back of

US buying, with Wellcome adding 34 at 615p, Zeneca climbing 19 to 727p and SmithKline Beecham rising 18% to 419p.

British Gas hit

Shares in British Gas tumbled 17 to 272p as volume soared to 25.7m, making the stock the day's most active issue, after the chief executive warned that tough new proposals from industry watchdog Ofgas could hit profits and force the company to peg its dividend next year. British Gas also suggested that the new proposals could force cuts in its investment programme.

Mr John Toalster at the broker said: "The best prospect for

"a little tougher" than many market watchers had anticipated, but it was the strong negative reaction to the report from British Gas that took the market by surprise, and brought the setback in the share price.

Analysts swiftly downgraded current year dividend forecasts, with the consensus moving from 15p to 14.5p. Strauss Turnbull, one of many to reduce its dividend forecast, maintained its bottom of the range current year profits estimate at 388m, but shaved the following year's figure by 28m to 360m.

Mr John Toalster at the broker said: "The best prospect for

the dividend is that it will be frozen at 1993 levels for the next two years, and a reduction of a third to 10p cannot be ruled out."

Another analyst seeking to explain the stock's retreat said simply: "The share price reaction is about politics rather than fundamentals. I would have been surprised if British Gas reacted any other way."

Thames weak

A further raft of provisions moves by Thames Water sent analysts scurrying to down-grade the utility company yesterday, amid fears of worse to come. The shares slid 9% to 470p with a hefty 2.5m traded.

Thames said it was taking a further £11.5m charge with its final results for its non-core businesses, adding to the £22.5m taken at the interim. The charges helped push international operations and process contracting into an operating loss of £43m against a profit of £1.4m, although Thames said it was hoping for break-even on its non-regulated businesses this year.

The losses meant the rise in Thames dividend was lower than expected at a disappointing 7 per cent. Mr Kevin Laywood at Smith New Court said: "Thames, which is supposed to be the flagship of the sector, is now on one of the lowest ratings. And the potential for more skeletons to come out of the cupboard on the non-regulatory businesses is huge. The shares have more downside."

Hoare Govett upgraded its current year profit forecasts for Barclays from £1.40bn to £1.60bn, largely on the back of the improved position on bad debts. With property values stabilising, there would no longer be the need to increase bad debt provisions. Barclays closed up 10 at 550p.

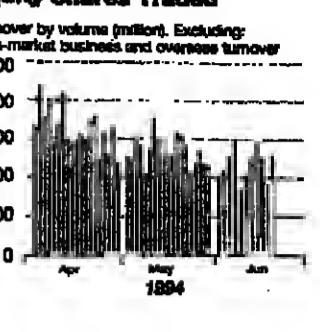
Mr Mark Eady at NatWest Securities, which recently upgraded his profit forecasts for National Westminster from £1.33bn to £1.465m, said the strength was not in the sector as a whole, but in particular stocks. Lloyds, for example, lost 6 to 560p on fears about its proposed £1.6bn acquisition of Cheltenham & Gloucester building society, while Abbey National was also weak in sympathy, dropping 3 to 427p. NatWest added 10 to 474p, and HSBC added 7 to 715p.

Bid speculation for Gesteiner continued to boost the shares and they gained another 7 to 175p. Inchcape, 4 lighter at 464p, which has a stake in the office equipment group, is still thought to be the most likely predator.

Regional brewers Marston Thompson were steady at 270p after announcing results in line with expectations. NatWest Securities, reiterating its positive stance, upgraded its 1994-95 profit forecast by 4 per cent to £2.6m.

Premier league football club Tottenham Hotspur tumbled 17 to 63p at the opening of trading on news of the heavy fines imposed by the Football Association. However, the shares rallied to close unchanged as the club announced it was considering an appeal and pursuing legal action against former directors.

FT-SE-A All-Share Index



Key Indicators	
Indices and ratios	
FT-SE 100	304.52 +6.2
FT-SE Mid 250	3559.7 -18.0
FT-SE-A 350	1535.4 +0.5
FT-SE-A All-Share	1528.59 +0.36
FT-SE-A All-Share yield	3.86 3.86
Best performing sectors	
Pharmaceuticals	+3.2
2 Banks	+1.2
3 Household Goods	+1.1
4 Other Ser. Bus.	+1.0
5 Consumer Goods	+1.0
Worst performing sectors	
1 Gas Distribution	-5.2
2 Electricity	-2.0
3 Tobacco	-1.4
4 Utilities	-1.4
5 Building & Cons.	-1.0

penny ahead at 372p.

The dubious honour of the day's worst performer among FT-SE 100 constituents was claimed by freight group NTC, which reported interim figures below market expectations. The shares plunged 21 to 185p, after heavy trade of 6.1m.

Worries that investors may not take up a large part of Eurotunnel's recent rights issue continued to hurt the shares and they closed 11 down at 317p.

Bid speculation for Gesteiner continued to boost the shares and they gained another 7 to 175p. Inchcape, 4 lighter at 464p, which has a stake in the office equipment group, is still thought to be the most likely predator.

Regional brewers Marston Thompson were steady at 270p after announcing results in line with expectations. NatWest Securities, reiterating its positive stance, upgraded its 1994-95 profit forecast by 4 per cent to £2.6m.

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MARKET REPORTERS:

Christopher Price,

Clare Gaoeigne,

Joel Kibazo.

Other statistics, Page 19

EQUITY FUTURES AND OPTIONS TRADING

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point								
Open	Set price	Change	High	Low	Ext. vol.	Open int.		
Jan 3033.0	3042.0	+3.5	3050.0	3029.0	5,625	3,045.2		
Sep 3046.0	3050.4	+2.5	3052.0	3039.0	8,677	3,046.0		
Dec 3064.5	+3.0				0	3,064.5		

All open interest figures are for previous day. 1 Sheet volume shown.

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point								
Open	Set price	Change	High	Low	Ext. vol.	Open int.		
Jun 3557.5	3558.0	-17.0	3560.0	3557.5	31	2,648		
Sep 3577.0	3570.0	-16.0	3570.0	3570.0	34	2,690		
Dec -	3588.0					771		

All open interest figures are for previous day. 1 Sheet volume shown.

FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point								
Open	Set price	Change	High	Low	Ext. vol.	Open int.		
Jan 2,695.0	2,695.0	-27	2,695.0	2,695.0	2,695.0	2,695.0		
Sep 2,700.0	2,700.0	-27	2,700.0	2,700.0	2,700.0	2,700.0		
Dec -	2,705.0					2,705.0		

Call & Put & Option prices and values are taken at 4.50pm.

M EURO STYLE FT-SE MID 250 INDEX OPTION (OMX) £10 per full index point								
Open	Set price	Change	High	Low	Ext. vol.	Open int.		
Jan 2,695.0	2,690.0	-5	2,695.0	2,690.0	2,690.0	2,690.0		
Sep 2,700.0	2,700.0	-5	2,700.0	2,700.0	2,700.0	2,700.0		
Dec -	2,705.0					2,705.0		

Call & Put & Option prices and values are taken at 4.50pm.

M EURO STYLE FT-SE 100 INDEX OPTION (OMX) £10 per full index point								
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UNIT TRUSTS
Unit	Open	Close	Min	Max	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	13th	14th	15th	16th	17th	18th	19th	20th	21st	22nd	23rd	24th	25th	26th	27th	28th	29th	30th	31st	32nd	33rd	34th	35th	36th	37th	38th	39th	40th	41st	42nd	43rd	44th	45th	46th	47th	48th	49th	50th	51st	52nd	53rd	54th	55th	56th	57th	58th	59th	60th	61st	62nd	63rd	64th	65th	66th	67th	68th	69th	70th	71st	72nd	73rd	74th	75th	76th	77th	78th	79th	80th	81st	82nd	83rd	84th	85th	86th	87th	88th	89th	90th	91st	92nd	93rd	94th	95th	96th	97th	98th	99th	100th	101st	102nd	103rd	104th	105th	106th	107th	108th	109th	110th	111th	112th	113th	114th	115th	116th	117th	118th	119th	120th	121st	122nd	123rd	124th	125th	126th	127th	128th	129th	130th	131st	132nd	133rd	134th	135th	136th	137th	138th	139th	140th	141st	142nd	143rd	144th	145th	146th	147th	148th	149th	150th	151st	152nd	153rd	154th	155th	156th	157th	158th	159th	160th	161st	162nd	163rd	164th	165th	166th	167th	168th	169th	170th	171st	172nd	173rd	174th	175th	176th	177th	178th	179th	180th	181st	182nd	183rd	184th	185th	186th	187th	188th	189th	190th	191st	192nd	193rd	194th	195th	196th	197th	198th	199th	200th	201st	202nd	203rd	204th	205th	206th	207th	208th	209th	210th	211st	212nd	213rd	214th	215th	216th	217th	218th	219th	220th	221st	222nd	223rd	224th	225th	226th	227th	228th	229th	230th	231st	232nd	233rd	234th	235th	236th	237th	238th	239th	240th	241st	242nd	243rd	244th	245th	246th	247th	248th	249th	250th	251st	252nd	253rd	254th	255th	256th	257th	258th	259th	260th	261st	262nd	263rd	264th	265th	266th	267th	268th	269th	270th	271st	272nd	273rd	274th	275th	276th	277th	278th	279th	280th	281st	282nd	283rd	284th	285th	286th	287th	288th	289th	290th	291st	292nd	293rd	294th	295th	296th	297th	298th	299th	300th	301st	302nd	303rd	304th	305th	306th	307th	308th	309th	310th	311st	312nd	313rd	314th	315th	316th	317th	318th	319th	320th	321st	322nd	323rd	324th	325th	326th	327th	328th	329th	330th	331st	332nd	333rd	334th	335th	336th	337th	338th	339th	340th	341st	342nd	343rd	344th	345th	346th	347th	348th	349th	350th	351st	352nd	353rd	354th	355th	356th	357th	358th	359th	360th	361st	362nd	363rd	364th	365th	366th	367th	368th	369th	370th	371st	372nd	373rd	374th	375th	376th	377th	378th	379th	380th	381st	382nd	383rd	384th	385th	386th	387th	388th	389th	390th	391st	392nd	393rd	394th	395th	396th	397th	398th	399th	400th	401st	402nd	403rd	404th	405th	406th	407th	408th	409th	410th	411st	412nd	413rd	414th	415th	416th	417th	418th	419th	420th	421st	422nd	423rd	424th	425th	426th	427th	428th	429th	430th	431st	432nd	433rd	434th	435th	436th	437th	438th	439th	440th	441st	442nd	443rd	444th	445th	446th	447th	448th	449th	450th	451st	452nd	453rd	454th	455th	456th	457th	458th	459th	460th	461st	462nd	463rd	464th	465th	466th	467th	468th	469th	470th	471st	472nd	473rd	474th	475th	476th	477th	478th	479th	480th	481st	482nd	483rd	484th	485th	486th	487th	488th	489th	490th	491st	492nd	493rd	494th	495th	496th	497th	498th	499th	500th	501st	502nd	503rd	504th	505th	506th	507th	508th	509th	510th	511st	512nd	513rd	514th	515th	516th	517th	518th	519th	520th	521st	522nd	523rd	524th	525th	526th	527th	528th	529th	530th	531st	532nd	533rd	534th	535th	536th	537th	538th	539th	540th	541st	542nd	543rd	544th	545th	546th	547th	548th	549th	550th	551st	552nd	553rd	554th	555th	556th	557th	558th	559th	560th	561st	562nd	563rd	564th	565th	566th	567th	568th	569th	570th	571st	572nd	573rd	574th	575th	576th	577th	578th	579th	580th	581st	582nd	583rd	584th	585th	586th	587th	588th	589th	590th	591st	592nd	593rd	594th	595th	596th	597th	598th	599th	600th	601st	602nd	603rd	604th	605th	606th	607th	608th	609th	610th	611st	612nd	613rd	614th	615th	616th	617th	618th	619th	620th	621st	622nd	623rd	624th	625th	626th	627th	628th	629th	630th	631st	632nd	633rd	634th	635th	636th	637th	638th	639th	640th	641st	642nd	643rd	644th	645th	646th	647th	648th	649th	650th	651st	652nd	653rd	654th	655th	656th	657th	658th	659th	660th	661st	662nd	663rd	664th	665th	666th	667th	668th	669th	670th	671st	672nd	673rd	674th	675th	676th	677th	678th	679th	680th	681st	682nd	683rd	684th	685th	686th	687th	688th	689th	690th	691st	692nd	693rd	694th	695th	696th	697th	698th	699th	700th	701st	702nd	703rd	704th	705th	706th	707th	708th	709th	710th	711st	712nd	713rd	714th	715th	716th	717th	718th	719th	720th	721st	722nd	723rd	724th	725th	726th	727th	728th	729th	730th	731st	732nd	733rd	734th	735th	736th	737th	738th	739th	740th	741st	742nd	743rd	744th	745th	746th	747th	748th	749th	750th	751st	752nd	753rd	754th	755th	756th	757th	758th	759th	760th	761st	762nd	763rd	764th	765th	766th	767th	768th	769th	770th	771st	772nd	773rd	774th	775th	776th	777th	778th	779th	780th	781st	782nd	783rd	784th	785th	786th	787th	788th	789th	790th	791st	792nd	793rd	794th	795th	796th	797th	798th	799th	800th	801st	802nd	803rd	804th	805th	806th	807th	808th	809th	810th	811st	812nd	813rd	814th	815th	816th	817th	818th	819th	820th	821st	822nd	823rd	824th	825th	826th	827th	828th	829th	830th	831st	832nd	833rd	834th	835th	836th	837th	838th	839th	840th	841st	842nd	843rd	844th	845th

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* FORTIS and SII recognized. The regulatory authority for these funds is the: **Quebec: Financial Services Commission; Alberta: Central Bank of Alberta; Ile de Montréal: Financial Services Commission; Jersey: Financial Services Department.**

MARKETS REPORT

UK data buoys futures

The short sterling futures contract for December rose more than 20 basis points yesterday as better than expected UK economic data prompted the markets to revise interest rates slightly downwards, writes *Motoko Rich*.

A below-average underlying rate of UK average earnings in April also drove up gilt prices, but failed to help the pound break out of its narrow trading margins in the aftermath of the European and by-elections.

The December short sterling contract closed at 93.94 from 93.72, reflecting a short-term interest rate of 8.06 per cent. Sterling closed in London at Dm1.4583 against the D-Mark, from Dm1.4561 on Tuesday. Against the dollar, the pound closed at \$1.6203 from \$1.6175.

The market's bearish attitude toward the dollar was confirmed by weaker economic data from the US and it fell close to \$P1.383, its lowest level against the Swiss franc since September 1993.

A raft of UK statistics gave further evidence of a gradual economic recovery with subdued inflationary pressures. The markets welcomed a smaller than expected 2.75 per cent rise in the underlying rate of UK average earnings in April. The annual rate had been expected to rise to 4.25 per cent after March's 4.00 per cent.

In the three months to April, the UK's unit wage costs were 1.9 per cent higher than in the same period of 1993, compared with annual growth of 2.2 per cent in the three months to March.

The retail price index, the economy's key inflation measure, rose a year-on-year 2.6 per cent in May, the same as in April, but the underlying rate rose to 2.5 per cent. Analysts attributed this rise to one-off seasonal factors which the markets did not take seriously. Unemployment fell to 9.4 per cent in May, down from 9.5 per cent in April.

Mr Neil MacKinnon, chief economist at Citibank in London, said short sterling futures contracts reacted positively to the news. "The markets drew the conclusion that the probability of an early base rate

Sterling

Against the D-Mark (Dm1 per £)

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4000 class from 15



Dual 1 Bit 4 Times Oversampling

The logo for Samsung Electronics, featuring the word "SAMSUNG" in a white, sans-serif font inside a black oval, with "ELECTRONICS" in a smaller white font below it.

NYSE COMPOSITE PRICES

1984	High	Low	Stock	Yld	P/	Sv	%	1983	High	Low	Class	Price	Clos	Clos	Price	Clos	High	Low	Stock	Yld	P/	Sv	%	1983	High	Low	Class	Price
Continued from previous page																												
12-135 Stydy x	0.36	2.1	9 1599	174	171	174	1	1	203	21 1/2	10X	1	10	10	10	10	10	203	21 1/2	10X	1	10	10	10	10	10		
12-195 Safety	24	815	250	247	242	247	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-43 Safeway/We	52	12	5%	52	51	52	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-605 StainPaper	0.20	0.4284	61	56	55	56	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-261 Stamps	1.03	6.2	14	28	28	28	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-374 StPac	1.50	3.8	4	853	40	392	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-374 StSalon Cap	8	172	7	8	7	7	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-374 StSalon Cos	1.40	3.8	8	1739	301	294	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-195 StSalon S	0.23	2.2	247	124	125	125	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-152 StSalon S	0.64	1.3	8	1840	504	501	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-152 StSalon S	1.52	0.1	10	954	194	181	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-72 StSalon S	0.18	1.8	8	570	84	84	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-342 StSalon S	2.05	7.9	18	67	351	351	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-194 StSalon S	0.10	0.4	13	2655	221	223	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-20 StSalon S	0.04	0.2	19	1519	222	222	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-42 StSalon S	4.02	5.4	11	257	444	444	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-342 StSalon S	1.42	10.3	9	1544	132	132	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-542 StSalon S	2.04	3.1	15	2701	654	651	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-542 StSalon S	1.20	2.3	27	3055	517	506	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-63 StSalon S	23	73	89	84	84	84	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-242 StSalon S	0.12	0.75	2140	36	35	35	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-135 StSalon S	0.10	0.7	13	161	143	145	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-27 StSalon S	0.05	1.5	13	9126	554	525	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-152 StSalon S	0.21	0.9	79	221	223	223	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-542 StSalon S	0.70	4.3	8	168	105	105	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-542 StSalon S	1.48	8.7	5	152	615	615	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-23 StSalon S	0.05	1.8	38	3841	311	304	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-25 StSalon S	0.25	2.6	20	26	27	29	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-47 StSalon S	1.60	3.2	8	3867	505	493	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-114 StSalon S	0.84	6.7	58	125	125	125	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-20 StSalon S	0.22	0.7	20	1528	229	229	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-27 StSalon S	0.60	1.9	5	2100	31	31	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-28 StSalon S	0.50	15	17	17	17	17	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-21 StSalon S	0.42	1.7	20	355	25	25	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-21 StSalon S	0.92	17	31	265	24	24	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-194 StSalon S	0.22	13	25	4507	221	17	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-194 StSalon S	0.20	1.5	22	1720	101	101	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-542 StSalon S	0.07	4.7	28	1436	551	549	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-152 StSalon S	1.24	1.8	7	162	154	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-152 StSalon S	0.18	0.5	22	867	205	195	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-542 StSalon S	1.12	6.0	11	440	162	152	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-342 StSalon S	1.00	2.4	13	1122	423	423	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-342 StSalon S	0.47	5.0	3	2346	304	304	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-49 StSalon S	0.47	5.0	3	161	61	61	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-49 StSalon S	0.47	5.0	3	161	61	61	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-49 StSalon S	0.46	3.2	292	94	84	84	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-49 StSalon S	0.13	0.7	18	54	52	52	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-29 StSalon S	1.20	4.1	11	213	243	233	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	1.00	2.7	26	1039	371	365	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	20	307	164	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5	3	170	18	154	1	1	154	12	12	12	12	12	12	12	154	12	12	12	12	12	12	12	12			
12-32 StSalon S	0.45	2.5																										

AMEX COMPOSITE PRICES

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AMEX COMPOSITE PRICES												
	P/	Slv				P/	Slv					
	Div. E	100s	High	Low	Close	Chng	Stock	Div. E	100s	High	Low	
Alagn	355	117	119	115	117	-	Cominco	0.30	22	4	18.2	16.2
Alcoa	3 2100	156	156	153	156	-	Health Cr	4	60	3	3	3
Alind	2	28	35	37	35	-	HealthNet	3	213	55	54	54
AlPa	1.04	11	11	11	11	-	Heico	0.18	48	28	10.7	10.3
AlPa A	0.641005	32	20.4	19.7	20.4	-	Hymersland	14	3	106	105	104
Altr	0.65	855	814	814	814	-	IDH Corp	1	245	55	55	54
Altr A	0.31	601	11	11	11	-	Imclone	0.12	24	19	9.5	9.5
Altr-MMA	43	263	74	72	74	-	Int. Comm	4	517	45	45	45
Altr-MMA	0.72	1	357	352	352	-	Intermagn	59	358	355	355	355
Altr-MMA	23	18	25	25	25	-	Int'l Net	0.04	18	27.45	10.6	10.4
Altr-MMA	8	717	53	51	54	-	Jet Bell	4	632	55	55	54
Altr-MMA	9	208	16	16	16	-	Kellogg Co	20	8	135	134	134
Altr-MMA	7	671	6	7	6	-	Kinark Co	23	42	42	42	42
Altr-MMA	0.56	9	18	3	5	-	Kirkay Corp	23	745	125	125	125
Altr-MMA	0.73	10	23	23	23	-	Kirkay Corp	80	154	65	82	82
Altr-MMA	0.04	30	15	15	15	-	Laborite	8	1814	115	31.2	115
Altr-MMA	26	43	20.1	20.1	20.4	-	Lattice	15	158	51	51	51
Altr-MMA	0.39	12	814	74	79	-	Lasco Ind	8	51	15	15	15
Altr-MMA	5	13	13	13	13	-	Lee Poore	105	41	115	115	115
Altr-MMA	0.40153	11	21.5	21.2	21.2	-	Lumex Inc	8	4	29.5	28	28
Altr-MMA	51	74	16	15	15	-	Lynch Crp	3	37	36.5	36.5	36.5
Altr-MMA	0.50	43	608	376	393	-	Macmillan	3	37	36.5	36.5	36.5
Altr-MMA	100	18	11	11	11	-	Media A	0.44	25	157	22.4	22.4
Altr-MMA	34	18	51.2	37	51.2	-	Mem Co	0.28	8	15	8.5	8.5
Altr-MMA	0.20	10	135	22	125	-	Merill	3	5	6.5	6.5	6.5
Altr-MMA	1.04	15	65	14.4	14.4	-	Moog A	13	45	7.5	7.5	7.5
Altr-MMA	2	48	3	3	3	-	MSH Expl	60	14	25	15	15
Altr-MMA	0.20	13	3	23	23	-	Nat'l Paint	7	30	51	31	31
Altr-MMA	22	2105	125	135	125	-	NY Tm Crp	0.55348	1141	245	245	245
Altr-MMA	0.07	3	272	272	272	-	Nicomed	0.28	18	2	81	81
Altr-MMA	0.11	26	26	26	26	-	Nutrade	120	6	81	81	81
Altr-MMA	47	133	32	32	32	-	NVR	12	10	6	6	6
Altr-MMA	234	2074	45	45	45	-	Odebrecht A	34	136	85	85	85
Altr-MMA	0.04	35	273	95	95	-	Odebrecht	0.24152	405	32	32	32
Altr-MMA	0.01	31	81	54	54	-	Paganini G	0.40	60	742	16.2	16.2
Altr-MMA	0.28	14 5811	314	314	314	-	Paganini	4	51	41	4	4

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NASDAQ NATIONAL MARKET

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AMERICA

Dow subsides as bond market turns softer

Wall Street

US stocks failed to sustain their forward momentum yesterday morning as a soft bond market encouraged investors to book profits after Tuesday's rally, writes Frank McGuire in New York.

By 1pm, the Dow Jones Industrial Average was 13.84 lower at 3,900.88, while the Standard & Poor's 500 was down 0.74 to 461.63 in morning trading.

In the secondary markets, the American SE composite dipped 0.53 to 442.12, while the Nasdaq composite edged 0.65 ahead to 736.63.

As the session opened, investors were inclined to extend the 32-point rally by the Dow industrials during the previous session. The day's economic news presented no obvious obstacles to that ambition: the Federal Reserve reported that industrial production last month had risen by 0.2 per cent, while capacity utilisation dipped to 83.5 per cent from 83.6 per cent in April.

The figures, although a shade stronger than economists had forecast, were consistent with the view that the economy had returned to moderate, non-inflationary growth.

A former bond market was supportive, and stocks posted modest gains across the board in early trading.

But seemingly conflicting remarks by two Fed governors on the outlook for inflation triggered a reversal in Treasury prices. Equities followed

suit, and shifted into negative territory.

Cyclical issues, which led the previous session's advance, gave back most of their early gains. Caterpillar dipped 5% to \$104 and Allied Signal edged 5% lower to \$36.54.

Exxon remained one of the weakest components in the Dow index. The stock, hard hit by an unfavourable court ruling on the Exxon Valdez oil spill, dropped a further 1% to \$57.4, a new 52-week low.

Elsewhere in the energy sector, Mobil lost \$1 to \$36.75 and Texaco retreated 5% to \$33.75.

Canada

Toronto stocks were lower at midday following weakness in the Canadian dollar and bond markets.

The TSE-300 composite index fell 25.59 to 4,172.68 in volume of 29.2m shares, valued at C\$389.5m. Declines led advances by 372 to 202, with 29 issues unchanged.

The Canadian dollar hit C\$1.3901 against the US dollar, while the domestic 30-year long bond lost C\$1.50 to yield 9.196 per cent.

All Toronto's sub-sectors were down with the exception of precious metals, which jumped 1.24 per cent on a stronger bullion price.

American Barrick gained C\$4 to C\$33.5 while Placer Dome climbed C\$4 to C\$31.

Bank of Montreal shed C\$4 to C\$22.5.

Brazil

Sao Paulo was up 3 per cent by midday, but traders did not expect substantial activity in the afternoon following on from the settlement of the futures index during the morning session. The Bovespa index was up 93 at 31,077, in low turnover of Cr45.30m (\$65m).

Geon, a leading producer of vinyl resins, climbed \$1.4 to \$28.4 in unusually active trading of 1.1m shares. The company said that it was unaware

of any developments which may have triggered the upturn.

On Nasdaq, most technology stocks meandered within a fraction of their opening values.

But Applied Materials added 5% to \$42 and Oracle gained 5% to \$37.5.

Thyssen up as Mannesmann falls again

Bourses turned from flat to mildly bearish in the afternoon as the US bond market slid off its highs, writes *Our Markets Staff*, and professional opinion was divided on prospects.

European cyclical stocks were overvalued, said Mr Joe Rooney of Lehman Brothers, underweighting Germany and Sweden. Merrill Lynch meanwhile, expected Germany to outperform on faster earnings growth, fuelled by cost-cutting and rising exports.

Other strategists focused on bond yield differentials, and came up with different conclusions. On a shorter term view, the Smith New Court team said that UK equities should outperform their German counterparts on a narrowing of the yield differential between UK and German bonds.

However, Mr David Roche's Independent Strategy expected German bonds to strengthen considerably in the next three to six months, that German equities would outperform and that the French market - with more limited room for upward movement in bond prices - would be an underperformer.

FRANKFURT was not surprisingly, went wonky on the day, the DAX index standing still on the session at 2,074.70 and easing just slightly to

EUROPE

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FRANKFURT was not surprisingly, went wonky on the day, the DAX index standing still on the session at 2,074.70 and easing just slightly to

2,074.40 in the post-bourse.

The main excitement of the day was provided by Mannesmann and Thyssen, once solid steel and engineering companies but recently enlivened by their diversification into mobile telephone networks.

Mannesmann dropped DM14.30 to DM12.50, and another DM4.50 to DM40.75 in the London afternoon, down DM38.50 this week and DM31, or over 16 per cent below its high for the year. Thyssen, on the other hand, climbed DM10.30, or 3.8 per cent to DM28.30.

Turnover was DM43.75m. In a technical analysis of the French market, James Capel suggested that in the short-term the downside might find support at the 1,800 level, even though economic fundamentals were sound. "Getting back through 2,100 will be a struggle," it added, "having been a level of strong support on the way down."

PARIS turned lower once more as Tuesday's rise proved to be unsustainable. In a market that is currently unable to

attract buyers, the CAC-40 index shed 25.60 to 1,866.30, or 1.3 per cent to DM28.30.

Thyssen impressed German analysts at a meeting this week and while their earnings estimates diverge - DM11 a share, and DM20 - are both respectable forecasts for the 1994-95 year beginning next October - most of them are buyers on the prospect of steel price increases, and accelerating earnings growth thereafter.

In Mannesmann's case, public prosecutors in Dusseldorf said yesterday that there was no evidence linking the company's chairman, Mr Werner Dieter, to improprieties as alleged by Der Spiegel in an article over the weekend.

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